

No. 10,280

IN THE ²

United States Circuit Court of Appeals
For the Ninth Circuit

LYDELL PECK and ALLAN B. RUDDLE,

Appellants,

vs.

SHELL OIL COMPANY, INCORPORATED (a corporation), and SHELL DEVELOPMENT COMPANY (a corporation),

Appellees.

BRIEF FOR APPELLEES.

CHAS. M. FRYER,

ALFRED C. AURICH,

HAROLD I. JOHNSON,

Mills Tower, San Francisco,

Attorneys for Appellees.

FILED

OCT 8 - 1943

PAUL P. O'BRIEN,
CLERK

Subject Index

	Page
Introduction	1
Statement of Facts	2
Questions Involved	8
Argument	10
I. An abundance of evidence establishes that the only subject matter of the contract in controversy, Ruddle's sodium silicate core oil as disclosed in his patents, was inherently worthless. Consequently there was complete failure of consideration for the contract and all obligations of Shell under it are unenforceable.....	10
A. A license under the Ruddle patent applications or later patents to be issued thereon was the <i>only</i> thing granted to Shell by appellants and the <i>only</i> thing concerning which there could be any obligation on the part of Shell.....	11
B. Although Shell diligently endeavored to develop a successful core oil from Ruddle's defective sodium silicate core oil, it was unsuccessful in so doing and the evidence overwhelmingly demonstrates that Ruddle's sodium silicate core oil is so inherently deficient that it is impossible to successfully produce a commercial core oil therefrom.....	22
1. The testimony of appellees' expert Mr. Dietert establishes that a core oil containing sodium silicate is useless from the standpoint of commercial foundry practices and confirms all of Shell's conclusions	22
2. Shell's work on the Ruddle sodium silicate core oil, which continued over a long period of time, indicated conclusively that such core oil was unfit to be sold and was inherently valueless..	29
(a) The isolated portions of reports made by Shell's employees working with Ruddle's sodium silicate core oils, and quoted in ap-	

	Page
pellants' brief, are in no way inconsistent with the conclusion by Shell that a sodium silicate core oil was not a successful product	44
II. Even assuming for purposes of argument that Ruddle's sodium silicate core oil was a useful product, the lower court was entirely justified in finding that the evidence failed to establish any grounds for the granting of the relief prayed for by appellants.....	50
A. The relief of specific performance cannot be granted to appellants because the license involves personal services and would require the supervision of the court for an indefinite length of time..	50
B. Appellants have utterly failed to establish wherein they are entitled to any damages, even assuming Ruddle's product to be a worthwhile product....	53
C. Appellants are not entitled to any other relief herein	59
III. Contentions in appellants' brief are based on fallacious premises, and should not be considered.....	63
IV. Conclusion	71

Table of Authorities Cited

	Pages
Anderson v. Neal Institutes Company, 37 Cal. App. 174....	51
Arizona Edison Co. v. Southern Sierras Power Co., 17 Fed. (2d) 739 (CCA 9).....	51
California Press Mfg. Co. v. Stafford, 192 Cal. 479.....	58
Central Coal & Coke Co. v. Hartman, 111 Fed. 96 (CCA 8)	58
Columbian Equipment Co. v. Mercantile Trust & Deposit Co., 113 Fed. 23 (CCA 5).....	59
Corpus Juris Secundum, Vol. 17, Sec. 129, p. 476.....	10
Coykendall v. Jackson, 17 Cal. App. (2d) 729.....	50
Daniels v. Brown Shoe Co., Inc., 77 Fed. (2d) 899 (CCA 1)	52
Erie v. Tompkins, 304 U. S. 64.....	50
Gibson v. Hercules, 80 Cal. App. 689.....	58
Kraus v. General Motors Corp., 120 Fed. (2d) 109 (CCA 2)	10, 48
Moore v. Heron, 108 Cal. App. 705.....	51
National Marking Machine Co. v. Triumph Manufacturing Co., 13 Fed. (2d) 6 (CCA 8).....	52
Poultry Producers of Southern California, Inc. v. Barlow, 189 Cal. 278	50
Pressed Steel Car Co. v. Union Pacific Ry. Co., 270 Fed. 518 (CCA 2)	13
Rutland Marble Co. v. Ripley, 77 U. S. 339.....	51

No. 10,280

IN THE
United States Circuit Court of Appeals
For the Ninth Circuit

LYDELL PECK and ALLAN B. RUDDLE,	}
<i>Appellants,</i>	
vs.	
SHELL OIL COMPANY, INCORPORATED (a corporation), and SHELL DEVELOPMENT COMPANY (a corporation),	}
<i>Appellees.</i>	

BRIEF FOR APPELLEES.

INTRODUCTION.

Appellants' brief fails to conform with the requirements of Rule 20 of this Court with the result that only confused and distorted questions are submitted for this Court's consideration. For example, nowhere in appellants' brief is found a concise abstract or statement of the case, such as is required by subdivision (c) of the rule. Likewise, there is not found therein a specification of the errors relied upon, other than the general statement that appellants are "standing upon each of the 39 points of appeal set forth" on page 1531 of the transcript.¹ In addition, no discussion or argument or citation of authorities is presented on the majority of the "39 points

¹Appellants' Brief, p. 6.

of appeal” and, consequently, under well settled authorities appellants must be deemed to have waived each thereof and are now precluded from asserting them.

In addition, appellants are undoubtedly following the same tactics adopted by them in the lower Court in filing what amounts to a mere skeleton opening brief, replete with fallacious statements, mis-statements of the record by means of incomplete quotations, and statements based upon premises which have no foundation in any of the facts involved in this controversy, all of which we shall hereinafter point out more in detail,² in the vain hope that by so doing two objectives will be accomplished. First, that appellees will be prevented, by the rules of this Court from answering and exposing the speciousness of any argument which appellants must advance in order to endeavor to sustain their position and, second, in an attempt to confuse the Court as to the true issues and facts. We are confident, however, that such strategy will not avail them the ends they seek.

STATEMENT OF FACTS.

Appellants claim to own a new and useful core oil,³ allegedly discovered by appellant Ruddle, and designated

²pp. 10-22, 63-71.

³A core oil is an oil used by core makers in foundries. It is mixed with sand to form cores which are then baked in an oven. These baked cores are employed in molding operations to provide the internal cavities in castings. Core oils generally are old and well known in the foundry industry. However, in order to be of practical value, they must meet certain requirements. These requirements were never met by appellants' core oil as will be pointed out hereinafter.

as Core-Min-Oil. This particular core oil was composed, broadly, of two components, one a so-called "secret solution" and the other an asphalt emulsion. The alleged secret solution was made up of sodium silicate, sodium fluo-silicate and aluminum sulphate.⁴

The record is not clear on just exactly when Mr. Ruddle first took his Core-Min-Oil to a foundry to experiment with it, but in any event, approximately a year prior to the signing of the agreement in controversy, Mr. Ruddle commenced to experiment with his sodium silicate core oil in a foundry known as the Macauley Foundry in Berkeley.⁵ Being unable to perfect his core oil to the point where it could be used in commercial foundry operations he finally took it to the predecessor of appellant Shell Oil Company, Incorporated. At this time Mr. Ruddle's core oil was admittedly in an undeveloped state.⁶

The predecessor of Shell Oil Company, Incorporated⁷ had never theretofore been in the core oil business, and the employees of that company with whom Ruddle discussed this matter were totally unfamiliar with core oils, their uses, or foundry technique in general.⁸ Notwithstanding these facts Shell undertook to assist Mr. Ruddle in developing his undeveloped core oil into a commercial product, in order to find a possible new outlet for their asphalt emulsion.

⁴Tr. Vol. I, p. 229.

⁵Tr. Vol. III, pp. 1173, 1174.

⁶Tr. Vol. IV, p. 1769.

⁷For sake of brevity appellee Shell Oil Company Incorporated and its predecessor in interest will be hereinafter referred to as "Shell" and appellee Shell Development Company as "Shell Development."

⁸Tr. Vol. II, pp. 540, 643-644, 891-892.

The task was originally assigned to Mr. Spotswood, a mechanical engineer employed by Shell, and he discovered what was then thought to be the solution to the main difficulty with Ruddle's core oil. Having made this discovery and in ignorance of the real requisites for a successful core oil, Shell had the mistaken belief that Ruddle's core oil was ready to be used in commercial foundry operations. Consequently, in order to obtain the alleged benefits from its work, Shell entered into the agreement in suit on April 8, 1938.⁹

Up until this time Mr. Ruddle had withheld the formula for making his so-called secret solution and it was not until after the agreement was signed that Shell was informed of the chemicals contained therein.¹⁰

Immediately following the signing of the agreement and in a sincere endeavor to comply with all the terms thereof Shell undertook to obtain sales promotional data upon which to proceed to sell Ruddle's sodium silicate core oil to foundries, inasmuch as there was no background therefor.¹¹ However, it was soon realized that Ruddle's core oil was far from perfected, and the task confronting Shell turned out to be, not the obtaining of sales promotional data, but rather the *developing of Ruddle's sodium silicate core oil in an attempt to make it work.*

To accomplish this it assigned numerous employees of both appellees to this task. In addition to Mr. Spotswood,

⁹Tr. Vol. I, p. 16.

It is important to note that Shell Development is *not* a party to this contract.

¹⁰Tr. Vol. II, p. 536; Vol. III, p. 1262; Vol. IV, p. 1799.

¹¹Tr. Vol. II, p. 674.

Mr. Spiri, a mechanical engineer employed by Shell Development, spent some seven or eight months attempting to develop this product,¹² while Mr. Spotswood spent approximately a year and three months on the same problem.¹³ Dr. Wright, a chemist employed by Shell Development also spent approximately ten months attempting to produce some value out of the Ruddle sodium silicate core oil.¹⁴ In addition the following named persons, technical employees of either of the appellees, also were engaged in attempting to solve the problem: Messrs. Warren, Watson, Wilson, Short, Anderson and Ellings.¹⁵ In other words, appellees, in a sincere and earnest effort to develop the Ruddle sodium silicate core oil into a useful product, used all of their best technical assistance, and utilized the advantages and facilities of their laboratories, but with all this technical assistance and equipment they were completely unsuccessful in their efforts because the Ruddle product was inherently useless as a core oil.

Finally, after their work had confirmed the intrinsic uselessness of Ruddle's core oil, and after spending approximately a year and three months' time and in excess of \$16,000.00 in its investigations,¹⁶ Shell advised appellants on July 26, 1939 of its lack of success and cancelled the agreement because of lack of consideration.¹⁷

The conclusions arrived at by appellees as to the inherent uselessness of Mr. Ruddle's sodium silicate core oil

¹²Tr. Vol. II, p. 820.

¹³Tr. Vol. II, p. 856.

¹⁴Tr. Vol. II, p. 650.

¹⁵Tr. Vol. II, p. 650; Vol. IV, pp. 1916-1917.

¹⁶Tr. Vol. IV, p. 1916.

¹⁷Tr. Vol. I, p. 30.

were amply and fully confirmed at the trial by Mr. Dietert, an expert in core oils, their uses and foundry technique, all of which will be hereinafter discussed more in detail.¹⁸

Completely independent from the work on the Ruddle sodium silicate core oil, appellee Shell Development did some work on adulterating linseed oil by mixing it with petroleum products. Vegetable core oils adulterated with mineral oils were common in foundry practice, and formed no part of the Ruddle disclosure.

Along about April, 1939, the most promising of these various blends was thought to be one containing albino-asphalt and linseed oil.¹⁹ This particular core oil was, as we shall hereinafter point out, not a type of core oil covered by the agreement between appellants and Shell and in fact was entirely foreign to anything theretofore developed or suggested by appellants.

Following the cancellation of the agreement in controversy, as above set forth, Shell continued to experiment with this albino-linseed core oil for several months and then came to the conclusion that the albino-linseed core oil was merely ready for "sales promotional work",²⁰ the same status as Ruddle's sodium silicate core oil was when it was first brought to them. They thereupon concluded to completely abandon any attempt to develop this type of core oil except for occasional work done by Mr. Spotswood merely to complete matters theretofore started.

The fact that Shell was going to continue to experiment with core oils entirely foreign to anything suggested by

¹⁸pp. 22, et seq.

¹⁹Plaintiffs' Exhibit 52a, p. 101 and Defendants' Exhibit MM, Test No. 85, not reproduced herein.

²⁰Tr. Vol. IV, p. 1684.

Mr. Ruddle was communicated to appellants as early as August 18, 1939.²¹ Likewise the fact that Shell had ultimately concluded to completely abandon all efforts to manufacture, sell or exploit any kind or type of core oils was communicated to them on March 8, 1940.²²

During all of the time that Shell was engaged in its work with core oils, of any type or description, they never sold a single gallon.²³

The cause was tried below before His Honor, Judge Michael J. Roche, who had had considerable experience as a core maker, who knew how cores were made and what core oils were used.²⁴ Thus, both parties had the unique advantage of having the case tried before a Court which was entirely familiar with the subject matter involved herein. In addition each of the witnesses testified in open Court and the Court had the opportunity of listening to their testimony and observing their demeanor on the stand. Under these circumstances the findings of the lower Court are not to be treated lightly, but should be given considerable weight.

At the conclusion of the trial, and following full and complete briefs by the respective parties the Court made and entered its Findings of Fact and Conclusions of Law²⁵ and entered a judgment dismissing the complaint herein.²⁶

²¹Tr. Vol. I, pp. 33, 34.

²²Tr. Vol. IV, p. 1772.

²³Tr. Vol. II, pp. 534-535.

²⁴Tr. Vol. I, p. 212; Vol. II, pp. 593, 597.

²⁵Tr. Vol. I, p. 185.

²⁶Tr. Vol. I, p. 188.

QUESTIONS INVOLVED.

Appellants' brief, again failing to comply with the rules of this Court, does not set forth therein the precise question or questions involved on this appeal, and again this burden is cast upon appellees.

As will be apparent from an inspection of appellants' Statement Of Points On Appeal, points 4, 8 and 14²⁷ refer respectively to Finding 8 and Conclusion of Law number 4.²⁸ Points 4 and 8 refer broadly to the fact that the Court found as a fact that at no time was there any confidential disclosure by either of the appellants to either of the appellees of the idea of employing asphalt emulsion or any petroleum product in or as a core oil, and the conclusion of law that at no time did any confidential relationship exist between appellants and appellees with respect thereto. Point number 14 is directed to the fact that the Court below erred in not finding that such a confidential relationship existed.

There is not a scintilla of argument in appellants' brief, nor one case cited in support of these three points. Consequently, under the rule above set forth, these alleged errors should not now be considered by this Court, and it must be held that the Court was eminently correct in finding and concluding that there was no confidential relationship between the appellants and appellees.

Point number 21²⁹ is directed to the alleged prejudice shown by the Court below against appellants, and outside of the bare statement appearing on pages 6 and 7 of

²⁷Tr. Vol. III, pp. 1532-1533-1534.

²⁸Tr. Vol. I, pp. 186, 187.

²⁹Tr. Vol. III, p. 1536.

appellants' brief, it is entirely silent as to any further discussion of this point. Appellants' gratuitous statements, appearing at the places above referred to, that they are not abandoning by failure to argue the contention of prejudice, it is submitted, is entirely without merit and consequently it must be held that this point, as well as the preceding points referred to, have been abandoned and waived by the appellants. Therefore, we shall not devote any of our time nor waste the time of this Court in demonstrating that not only was there a complete lack of prejudice on the part of the Court below, but on the contrary, the lower Court was eminently fair and impartial to both sides.³⁰

The remaining points on appeal, numbers 22 to 39, both inclusive, all relate to alleged errors with respect to the rulings of the trial Court with respect to the introduction of testimony and exhibits. In all of appellants' brief there is not one word mentioned therein which refers to any such alleged error, and not one case or authority is cited as justification for any of the points on appeal, numbers 22 to 39. Obviously, therefore, it must be considered that these points have been abandoned by appellants and will not be urged by them.

The only possible Findings of Fact that can be considered to be controverted and attacked by appellants'

³⁰In connection with this point of appeal No. 21, it might be pointed out that the alleged statements upon which this point is based, are set forth in the transcript herein in Vol. IV, p. 1536, with reference to pages in the typewritten transcript herein, and not with respect to the printed transcript. Consequently it is impossible, without a laborious comparison of pages, to ascertain exactly and precisely what statements and actions of the Court below are complained of.

brief herein are Findings 5, 6 and 7, relating to the lower Court's finding that Shell diligently attempted to perform all the terms and conditions of the agreement, its finding that Mr. Ruddle's sodium silicate core oil was a practical failure, and unmarketable and its finding that no injury or damage can or will result to appellants because of Shell's cancellation of the agreement.³¹

However, broadly stated, the principal question, a *fact* question, here presented for determination, is whether the lower Court's finding to the effect that Mr. Ruddle's silicate core oil is unmarketable and useless for practical foundry operations is clearly erroneous.

ARGUMENT.

- I. AN ABUNDANCE OF EVIDENCE ESTABLISHES THAT THE ONLY SUBJECT MATTER OF THE CONTRACT IN CONTROVERSY, RUDDELE'S SODIUM SILICATE CORE OIL AS DISCLOSED IN HIS PATENTS, WAS INHERENTLY WORTHLESS. CONSEQUENTLY THERE WAS COMPLETE FAILURE OF CONSIDERATION FOR THE CONTRACT AND ALL OBLIGATIONS OF SHELL UNDER IT ARE UNENFORCEABLE.

There can be no question but that uselessness of the subject matter involved in a contract constitutes a good defense to the action, since the contract then becomes unenforceable³² and as the evidence to be hereinafter discussed establishes beyond all doubt that the core oil covered by the Ruddle applications for patent and which was the subject matter of the contract was entirely worth-

³¹Tr. Vol. I, p. 186. See also Brief for Appellants, pp. 6, 8.

³²17 *Corpus Juris Secundum*, Sec. 129, p. 476; *Kraus v. General Motors Corp.*, 120 Fed. (2d) 109 (CCA 2).

less, Shell was entirely justified in cancelling the contract and the lower Court was correct in so finding.

However, before proceeding to a discussion of the evidence establishing the inherent utter uselessness of Ruddle's silicate core oil, a short analysis of the pertinent portions of the contract is necessary in order that the Court may have a clear understanding of the subject matter thereof.

A. A LICENSE UNDER THE RUDDLE PATENT APPLICATIONS OR LATER PATENTS TO BE ISSUED THEREON WAS THE ONLY THING GRANTED TO SHELL BY APPELLANTS AND THE ONLY THING CONCERNING WHICH THERE COULD BE ANY OBLIGATION ON THE PART OF SHELL.

Appellants, in their brief, have by means of misleading language, completely violated the express provisions of the agreement in controversy. Although the agreement relates solely and only to *silicate core oils* as covered by Ruddle's applications or patents, as we shall point out in just a moment, the misleading language is employed in an insidious effort to make this Court believe that the provisions of paragraph 2 of the contract requires Shell to market *any form of core oil*. To accomplish this end, appellants have resorted to the artifice of calling all core oils Core-Min-Oil, although Core-Min-Oil is defined and limited to the silicate core oil covered by Ruddle's applications.

As soon as such statements are analyzed in view of the agreement itself, the misleading character of such statements become apparent.

Instead of Core-Min-Oil being something chameleon-like which can be changed to meet any expediency, we

find it to be well defined by the license to mean *one thing and one thing only, namely*: a silicate core oil as covered by the Ruddle applications for patent. The attempt on the part of appellants to confuse and to mislead this Court as to the subject matter of the contract in question, makes it incumbent upon appellees to analyze the contract more fully than perhaps would otherwise be necessary.

Prior to considering the various pertinent portions of the contract, necessary for an understanding thereof, it is advisable in view of the misleading and inaccurate statements in appellants' brief above referred to and quoted in the appendix, to discuss first and point out by means of the contract itself what is meant by the term Core-Min-Oil whenever and wherever used in the contract. From this definition, which appears in paragraph 31 of the contract, it is unquestionably clear that Core-Min-Oil, as defined by the license, can and does mean only one thing and not the very many things which appellants would have us believe it means.

Paragraph 31 of the license expressly provides:

“31. Wherever used in this agreement, the term ‘Core-Min-Oil’ shall mean the core binding composition containing asphalt emulsion *coming within the claims of any pending application or issued patent owned or controlled exclusively by Peck and Ruddle.*”³³ (Tr. Vol. I, p. 27.)

The only two patents owned or controlled exclusively by Peck and Ruddle and issued on the applications referred to in the agreement are patents Nos. 2,193,346 and

³³All italics may be deemed supplied.

2,204,913, Exhibits 1 and 2, and there are no pending applications.³⁴

It is obvious from a mere reading of the claims of the two patents referred to, that they all relate only to the employment of silicates in the making of cores; *and that Core-Min-Oil means a silicate-containing core oil as covered by such claims and that only.* Under those circumstances, there can be no justification or excuse for statements contained in appellants' brief heretofore referred to, such as:

“Core-Min-Oil in its most saleable form (apparently the albino asphalt linseed blend product)”. (Brief for Appellants, p. 36.)

or

“Core-Min-Oil either of the type of asphalt emulsion and sodium silicate as originally considered by Mr. Ruddle, or a modified formula of albino asphalt and linseed”. (Brief for Appellants, p. 41.)

or

“Core-Min-Oil or any other core oil, whatever name might be assigned to it.” (Brief for Appellants, p. 23.)

The preamble of this agreement, which is as much a part of the contractual relationship as the rest of the instrument³⁵ contained a warranty that the appellants are the owners of what they there state is a

“*new and useful* core binding composition herein-after referred to as Core-Min-Oil, consisting of two

³⁴Tr. Vol. I, pp. 242-244; Tr. Vol. IV, pp. 1543, 1547. For the convenience of the Court we have set forth the claims of these patents in the Appendix.

³⁵See *Pressed Steel Car Co. v. Union Pacific Ry. Co.*, 270 Fed. 518 (CCA 2).

components, *a secret solution* and asphalt emulsion, and to *new compositions for other foundry uses, such as core-covering.*"

In the next paragraph of the preamble, Peck and Ruddle warrant that their Core-Min-Oil is fully described in certain patent applications referred to therein.³⁶

Paragraph 1 of the agreement grants an exclusive license from Peck and Ruddle to Shell to

"make, use or sell under the said three Ruddle U. S. patent applications"

and

"any patents to be issued thereon, and under any applications covering improvements of the inventions disclosed in said applications and other inventions in so far as they relate to compositions for foundry use owned or controlled by Peck and Ruddle, and any patents issued together with the right to sublicense third parties." (Tr. Vol. I, pp. 17, 18.)³⁷

³⁶Tr. Vol. I, p. 17.

There is considerable reason to doubt the truthfulness of this latter warranty, because appellants' proofs are not at all clear as to what constitutes the formula for making cores with Core-Min-Oil. The only formula for making cores, set forth in the patent applications, is the one appearing on page 2 of patent No. 2,193,346 (Plaintiffs' Exhibit 1, Tr. Vol. 4, p. 1544), issued on application serial No. 179,150 contained in the license agreement, which sets forth the formula which Mr. Ruddle, on cross-examination, explicitly said would not work. (Tr. Vol. I, pp. 364-370.)

³⁷Although by the terms of paragraph 1 above referred to Shell was granted an *exclusive* license as above set forth, appellants had the option after two years of declaring the license *non-exclusive* in the event Shell did not sell a required amount of Core-Min-Oil within the time. (Tr. Vol. I, pp. 19, 20.) Although admittedly Shell has sold no core oils whatsoever, no attempt has been made by appellants to take advantage of this provision of the contract.

Paragraph 2 of the license required that Shell should diligently attempt to sell, *not core oil generally*, but *only*

“Core-Min-Oil and other compositions for foundry use as covered by said patent applications or later patents.” (Tr. Vol. 1, p. 18.)³⁸

This express language in paragraph 2 of the agreement directly refutes appellants’ abortive and misleading attempts by means of incomplete quotations, etc., to make the plain and unambiguous language of said paragraph 2 mean other than what it says. For example, we find the following misrepresentations of the terms of paragraph 2 in the contract, as set forth in appellants’ brief:

“It is thus seen that the obligation of diligence with reference to attempted *marketing* and the obligation to pay royalty pertained both to the original product ‘Core-Min-Oil’, and by the use of the words ‘and other compositions for foundry use’, improvements thereon *as well as departures therefrom.*” (Brief for Appellants, p. 8.)

Only by omitting from paragraph 2 of the agreement the words “as covered by said patent applications or later patents” and by disregarding the preamble can the conclusion thus set forth be arrived at.

Again, we find the statement in the brief for appellants

“The primary issue established by the complaint is the charge that Shell Oil has neither sold nor attempted to sell *in conformity with the burden assumed by them in the contract*, Core-Min-Oil or any

³⁸“Other compositions for foundry use” are defined in the preamble as “core covering”. (Tr. Vol. 1, p. 17.)

other composition for foundry use, developed by plaintiffs, by defendants, or otherwise, all coming within the terms of the contract.” (Plaintiffs’ Brief, pp. 8, 9.)

It is obvious from a mere reading of the paragraph of the agreement above referred to that *there was no obligation imposed upon Shell to diligently attempt to sell anything except*

“*Core-Min-Oil and other compositions for foundry use as covered by said patent applications or later patents.*”

Again we find the statement in the brief for appellants that the letter of cancellation referred to therein does not state that

“any effort has ever been made to attempt to sell Core-Min-Oil, as provided in section 2 of the contract, Ex. 5, or any other core oil or composition for foundry use.” (Brief for Appellants, p. 11.)

Obviously no such obligation was imposed upon Shell Oil by the provisions of paragraph 2 above referred to, and, again, it is only by the elimination of the words “as covered by said patent applications or later patents” that such a statement can be made.

The brief for appellants is replete with similar statements and we will not attempt, at this time, to discuss each thereof but for the sake of completeness such statements are found set forth in the footnote.³⁹

³⁹“Since no effort was made to perform that clause of the agreement calling for diligent attempts on the part of Shell Oil to sell Core-Min-Oil and all other compositions for foundry use falling,

In paragraph 3 on the License Agreement, Shell was required to diligently attempt to interest its affiliates in selling *not core oils generally but only*

“Core-Min-Oil and other compositions for foundry use as covered by said patent applications or later patents”. (Tr. Vol. I, p. 18.)

It will be noted that in both of these paragraphs the field referred to in the preamble of the agreement was restated, that is, Shell's endeavors were to be *only* with respect to *“Core-Min-Oil” and other compositions for foundry use as covered by the patent applications or patents to be issued thereon.*⁴⁰

Paragraph 4 of the agreement⁴¹ provided that the policy and practice of marketing Core-Min-Oil should be left to the *discretion of Shell*. Certainly if the Core-Min-Oil product was useless or if the reputation of Shell would

from time to time, within the contract * * *” (Brief for appellants, p. 18.)

“With these reports in hand, Shell Oil approached plaintiffs and sought an exclusive license to make and sell Core-Min-Oil *and all other products for foundry use developed either by plaintiffs or defendants*. (Exhibit 5, Tr. 16,)” (Brief for Appellants, p. 45.)

“* * * on November 2, 1938, Shell Oil * * * ostensibly set out carrying out the terms of the contract, and particularly, the requirement that Shell ‘diligently attempt to sell Core-Min-Oil *and other compositions for foundry use*’ ”. (Brief for Appellants, p. 46.)

⁴⁰It is of interest to note that Ruddle (Tr. Vol. III, p. 1227) testified that a core oil consisting of sodium silicate and asphalt emulsion was not his Core-Min-Oil. This testimony is one of the few instances wherein Ruddle's appraisal of the scope of his Core-Min-Oil approached fact rather than fiction. He undoubtedly realized that his Core-Min-Oil was a composition which, as defined in his patents, necessarily included not only sodium silicate and asphalt emulsion, but *sodium fluosilicate* and *aluminum sulphate*.

⁴¹Tr. Vol. I, p. 18.

be endangered by selling a product which would not be acceptable to the trade, under the provisions of this paragraph Shell could refuse to market Core-Min-Oil. Likewise, even assuming for the purposes of argument that Core-Min-Oil was useful, if it can not be used in ninety-eight or ninety-nine per cent of the foundry ovens in the United States, which is an uncontroverted fact, under the provisions of this paragraph it is submitted that Shell could refuse to market it in the extremely limited field of operation.

Paragraph 7 of the agreement⁴², the royalty clause, relates only to the manner of computing royalties where Core-Min-Oil is sold, and in no way imposes any positive or any duty on Shell to sell. Despite the language of the preamble, which defines "other compositions for foundry use such as core coverings", an ancillary product, and despite the fact that Ruddle's silicate core oil was the sole consideration for the contract, this paragraph, according to Mr. Ruddle, would require Shell to pay royalties to appellants if they sold linseed oil or Houghton Oil, core oils which have been on the market for years prior to Mr. Ruddle's venture into core oils. It would require Shell to pay royalties to appellants if they sold kerosene for use in the art of core making.⁴³

Likewise, despite the fact that the obligations imposed upon Shell by the other paragraphs of the contract relate only to the silicate core oil covered by the Ruddle patents or applications, appellants seek by distortion of the mean-

⁴²Tr. Vol. I, p. 19.

⁴³Tr. Vol. III, pp. 1433-1435.

ing of this paragraph of the agreement, to change the plain meaning of those other paragraphs to impose obligations on Shell never contemplated by the agreement.

Thus, throughout appellants' brief⁴⁴ they attempt to employ paragraph 7 of the agreement as an unjustified basis for imposing on Shell an obligation to *market* a product which was not invented by Ruddle, which was not covered by any of Ruddle's patent applications, and which if it ever could be developed into a core oil, would bear no resemblance to Ruddle's defective sodium silicate core oil.⁴⁵

Paragraph 8⁴⁶ of the agreement provided that Peck and Ruddle might declare the exclusive license granted to Shell *non-exclusive* in the event that Shell did not sell Core-Min-Oil in certain quantities. At least on April 8, 1940, if Shell had not sold 250,000 gallons of Core-Min-Oil, appellants were free to deal with any one else in the event they could persuade someone to become interested in their useless product.

Paragraph 22 of the agreement⁴⁷ is the so-called option paragraph. This paragraph gave Shell up to six months from the date of receiving copies of the applications referred to in the preamble to investigate the *patent situation* in regard to Core-Min-Oil. In the event Shell con-

⁴⁴See pages 34 and 35 for example.

⁴⁵However the Court need not concern itself as to the interpretation of the words in this paragraph. As we have heretofore pointed out Shell has not sold one gallon of any core oil. Consequently there are no royalties due appellants under any construction of this paragraph.

⁴⁶Tr. Vol. I, pp. 19-21.

⁴⁷Tr. Vol. I, p. 24.

sidered the patent situation unsatisfactory, then Shell was given the option to terminate the agreement forthwith. Thus, the patent situation *alone* was made the basis for terminating the license during the so-called option period. Therefore, even if Shell had satisfied itself or known unequivocally before the termination of this option period, that the Core-Min-Oil product was absolutely useless as a core oil, which obviously it had not, in view of the great amount of work done after this option period had expired, termination by Shell on the ground that the patent situation was unsatisfactory, would merely afford the basis for another controversy. Accordingly, Shell's failure to terminate the agreement at the end of the six months' period provided by this paragraph is of no importance whatsoever in the present controversy.

The only other paragraph of the agreement requiring discussion is paragraph 27⁴⁸ which required both parties to keep each other informed of any improvements in "said products and their method of manufacture", referring to Core-Min-Oil and other compositions for foundry use as covered by Mr. Ruddle's patents or applications.

What the agreement did *not* provide is also a matter of some interest. Contrary to the statements contained in appellants' brief⁴⁹ there was no obligation on Shell to *develop* Ruddle's core oil, although Shell seriously endeavored for over a year after the signing of the license to make something practical out of the worthless core oil Ruddle felt was ready for marketing prior to his taking

⁴⁸Tr. Vol. I, p. 25.

⁴⁹For example, see page 2.

it to Shell;⁵⁰ and there was no obligation upon Shell to market anything not covered by the Ruddle applications. Much less was there any obligation on Shell Oil to attempt to sell

“Core-Min-Oil or any other composition for foundry use, developed by plaintiffs, *by defendants, or otherwise*”

as asserted by appellants.⁵¹

From the foregoing it will be observed that in so far as this controversy is concerned, the following obligations and no others were imposed upon Shell by the terms of the agreement:

(1) Shell was to attempt diligently to sell a sodium silicate or silicate-containing core oil or other compositions for foundry use likewise containing a sodium silicate or silicate solution as covered by the Ruddle patent applications (now issued); but was not required to attempt diligently or otherwise to sell any other type of core oil or other compositions for foundry use.

(2) Shell was to attempt diligently to interest its subsidiary companies, etc., in this sodium silicate or silicate-containing core oil and other compositions for foundry use as covered by such patent applications.

(3) Shell agreed to pay to appellants a stated sum on all of its “sales of Core-Min-Oil and other compositions for foundry use”.

(4) Shell was to keep appellants informed of any improvements of sodium silicate-containing core oil and its method of manufacture.

⁵⁰Tr. Vol. I, p. 392.

⁵¹Brief for Appellants, pp. 8, 9.

In return for these obligations thus imposed upon and assumed by Shell, Shell was given the exclusive right to make and sell this sodium silicate containing core oil, which at the time, in ignorance of the true facts, Shell thought was a useful product. However, as we shall point out in just a moment, this so-called valuable right, which Shell was to receive in consideration of its obligations above referred to, turned out to be entirely worthless since Ruddle's sodium silicate core oil proved to be inherently useless and not capable of being adopted for use in practical commercial foundry operations.

B. ALTHOUGH SHELL DILIGENTLY ENDEAVORED TO DEVELOP A SUCCESSFUL CORE OIL FROM RUDDLE'S DEFECTIVE SODIUM SILICATE CORE OIL, IT WAS UNSUCCESSFUL IN SO DOING AND THE EVIDENCE OVERWHELMINGLY DEMONSTRATES THAT RUDDLE'S SODIUM SILICATE CORE OIL IS SO INHERENTLY DEFICIENT THAT IT IS IMPOSSIBLE TO SUCCESSFULLY PRODUCE A COMMERCIAL CORE OIL THEREFROM.

Before proceeding to an analysis of the testimony produced by appellees, which clearly describes the long period of experimental work done by their technicians in their vain endeavor to make something worth while from Ruddle's useless core oil and the conclusions arrived at by such men, it is deemed advisable to refer briefly to the testimony of appellee's expert Mr. Dietert.

1. The testimony of appellees' expert Mr. Dietert establishes that a core oil containing sodium silicate is useless from the standpoint of commercial foundry practices and confirms all of Shell's conclusions.

The testimony of Mr. Dietert, incidentally the only witness produced by either of the parties hereto who can be at all considered to be an expert in the core oil field, clearly

and succinctly sets forth the requirements of a core oil for commercial uses, and the many and elaborate standard tests performed by him with Ruddle's sodium silicate core oil. His conclusion as to its lack of utility is that

“I find no commercial utility for Core-Min-Oil or its ingredients.” (Tr. Vol. II, p. 747.)

The conclusion thus arrived at by this eminently qualified expert fully corroborates the conclusions arrived at by Shell's technical staff after over a year of experimentation and laboratory test work and is in and of itself a complete answer to this appeal.

Mr. Dietert's qualifications to testify as an expert in the core oil field consist of more than twenty years actual experience in foundry practice. He was, at the time of testifying, consulting engineer for the United States Radiator Corporation of Detroit, Michigan; the J. S. McCormick Company of Pittsburgh, Pennsylvania; the Key Company of East St. Louis, Illinois; and many other concerns.^{51a} Thus, this expert in addition to having a very excellent technical education also had a most enviable career in the practical operations of foundry practice.

Mr. Dietert in the course of his testimony listed the many necessary characteristics of a core oil before it can be considered essential for use in commercial foundry operations.⁵² We will not unduly lengthen this brief by listing them all, but will content ourselves with but a brief mention of the more outstanding requirements referred to by him. In passing it might be noted that there is not one

^{51a}Tr. Vol. II, pp. 688-695.

⁵²Tr. Vol. II, commencing at p. 709.

scintilla of evidence to controvert Mr. Dietert's testimony as to these essential and necessary requirements.

Among the requirements above referred to is the necessity for having a core oil which, when mixed with the sand, will not cause the sand to dry rapidly; a core oil which can be delivered to foundries in a concentrated form without the necessity of completely revamping storage and piping facilities; a core oil which does not result in sticking; a core oil which results in cores having sufficient strength and friability or collapsibility to be able to use in making good castings; a core oil which must be usable with run-of-the-mine sand, which is employed in most of the foundries in the bigger foundry areas of the United States; a core oil which must mix readily with the sand and after being mixed and stored should not "settle out" or drain to the bottom of the storage pile; and a core oil which must not be sensitive to the atmosphere within the oven so that it can be baked in a wide variety of atmospheres.⁵³

As we shall point out in just a moment, none of the above necessary requisites of a core oil is present in Mr. Ruddle's sodium silicate core oil.

Mr. Dietert first attempted to use a core oil containing sodium silicate in 1923 but his results were unsuccessful. He described his attempt as follows:

"Q. Do you know in all your experience in the foundry art and especially relating to coremaking, of any successful core oil containing sodium silicate as

⁵³Tr. Vol. II, pp. 710, 711, 717-718, 719-721, 724, 725, 727, 728, 729, 735-738.

one of its ingredients that has ever been commercially manufactured and sold?

* * * * *

A. I know of no successful core oil that uses sodium silicate as the base.

Q. Do you know of your own knowledge whether foundry men in the past have attempted to use or experiment with core oil which contained sodium silicate as one of its ingredients?

* * * * *

A. Yes, I do know of cases. I have tried that myself, when I first went with Radiator.

Q. What do you mean when you first went with Radiator? When you first went with the U. S. Radiator Corporation?

A. Yes.

Q. That was in 1923?

A. That was in the fall of 1923.

Q. What were the results of your attempts to use core oil containing sodium silicate?

* * * * *

A. They were unsuccessful.

Q. Do you know any reason why core oils containing sodium silicate as one of their ingredients were unsuccessful?

A. Well, we concluded—I did—under my direction, actually tried myself—that sodium silicate was inherently unsuited as a core binder, the difficulty in baking, moisture absorption, which gives you a strength loss when the core was stored or in storage, or when it was placed in the mold and you didn't pour the mold right away you absorbed a lot of moisture on the surface of the core—

Q. I think that is enough. There are other reasons?

A. There are."

(Tr. Vol. II, pp. 700-702.)

Again in 1941 Mr. Dietert performed a series of tests using a sodium silicate core oil. This time the core oil used was Mr. Ruddle's Core-Min-Oil, and the three formulas used by him were those furnished by Mr. Ruddle to Shell after the signing of the agreement.⁵⁴ According to Mr. Dietert all three formulas were comparable one with the other and none of them was practical.⁵⁵

In addition, this expert also worked with a core oil containing sodium silicate and asphalt emulsion, but omitting the two other chemicals suggested by Mr. Ruddle in his formulas and he testified that cores made therewith were identical with cores made with the additional chemicals.⁵⁶

Unfortunately space does not permit a detailed recitation of the various elaborate tests employed by Mr. Dietert, all in accordance with American Foundry Association procedure, which enabled him to arrive at his conclusions, but his testimony in that regard commences at Vol. II, page 703 of the Transcript of Record.

After completing certain work in his own laboratory using an electric oven, he endeavored to use Mr. Ruddle's sodium silicate core oil in the regular direct-fired ovens used at the United States Radiator Corporation, but found that all such cores were unsatisfactory and unusable.⁵⁷ The fact that Mr. Ruddle's sodium silicate core oil would be valueless and useless when used in direct-fired ovens is an admitted fact herein⁵⁸ and Mr. Dietert testified that

⁵⁴Tr. Vol. II, pp. 705, 810-811, 894-895; Defendants' Exhibits GG and HH, Tr. Vol. IV, pp. 1799-1800.

⁵⁵Tr. Vol. II, p. 709.

⁵⁶Tr. Vol. II, p. 749.

⁵⁷Tr. Vol. II, pp. 740-741.

⁵⁸Tr. Vol. II, p. 774.

only one or two per cent of the core ovens in the United States are electric ovens.⁵⁹ This testimony is uncontroverted. So that at the outset, even assuming, contrary to fact, that Mr. Ruddle's sodium silicate core oil is otherwise of some value, it could *not* be used in ninety-eight or ninety-nine per cent of the foundries in existence today. However, the Ruddle sodium silicate core oil was inherently valueless for use in any type of core making operations.

Mr. Dietert in the course of his experimenting, including laboratory and actual work for the foundry, made an estimated number of 456 cores.⁶⁰ He made 59 cores for foundry use and the results are shown on a Summary Sheet⁶¹ in which is set forth in quite some detail the procedure and formula used, the type of oven, time of baking, etc. From this Summary Sheet it is noted that of the 59 cores so made 39 were not usable, giving a percentage of core loss of 66%. As Mr. Dietert testified, the percentage of core loss usually permitted by the United States Radiator Corporation, which we submit can safely be taken as a standard, was between one and one-half per cent to five per cent.⁶² These figures eloquently speak as to the uselessness of Mr. Ruddle's core oil.

Mr. Dietert gave numerous reasons for his opinion that Mr. Ruddle's Core-Min-Oil has no commercial utility and of no value whether used in an electric oven or in a direct-fired oven, but we shall content ourselves with but a brief mention of a few of them.

⁵⁹Tr. Vol. II, pp. 697-698, 766.

⁶⁰Tr. Vol. II, p. 747.

⁶¹Defendants' Exhibit EE, Tr. Vol. IV, p. 1797.

⁶²Tr. Vol. II, pp. 693-694.

Sand mixed with this core oil air-dried rapidly and crusted over, requiring removal of the crust and continual cleaning of the core boxes.

It would be impossible to deliver Mr. Ruddle's Core-Min-Oil to foundries in a concentrated form or ready-to-use oil which would require in large foundries duplication of underground storage tanks and pumping equipment, piping and metering system.

It is an unpleasant oil to handle, because of fast drying and stickiness.

Cores made therefrom did not possess sufficient strength, and at the same time the required degree of collapsibility to be employed in production work, since instead of being shaken out, they would have to be removed by a sharp tool and hammer or a pneumatic tool.

It could not be used with run-of-the-mine sand which is employed in most of the foundries in the bigger foundry areas in the United States.

It mixed poorly with sand and after being mixed and stored, it drained to the bottom of the storage pile.

Cores made with the Ruddle core oil were erratic in baking.

Small cores of one inch thickness could be baked in a third of the time of cores made with Linoil, but when the thickness of cores made with Ruddle's core oil increased, the speed of baking was materially reduced. Likewise, such cores overbaked along the edges.

Good booking of the core boxes was difficult because of the fast air drying.

Cores made with Ruddle's core oil absorbed moisture readily and thereby lost strength and hardness, which would cause defective castings.⁶³

There is not one scintilla of evidence in the record in any manner controverting the objectionable characteristics of Ruddle's sodium silicate core oil, as testified to by Mr. Dietert and set forth above. This evidence in and of itself is a complete and conclusive answer to all of appellants' contentions herein. However, as we shall now point out, each of the conclusions arrived at by Mr. Dietert with respect to the uselessness of Mr. Ruddle's core oil is substantiated by the testimony of appellees' technicians who experimented with Mr. Ruddle's core oil for a period of over a year.

- 2. Shell's work on the Ruddle sodium silicate core oil, which continued over a long period of time, indicated conclusively that such core oil was unfit to be sold and was inherently valueless.**

Immediately following the execution of the agreement and under the delusion that Mr. Ruddle's silicate core oil was developed to the extent that it was ready to place on the market, Shell set about to obtain sales promotional data for use in presenting this core oil to the foundries.⁶⁴ Mr. Spotswood, who had done some work with Mr. Ruddle's core oil shortly prior to the signing of the contract, was assigned to this task and commenced his work on May 5, 1938 at the Vulcan Foundry in Oakland, California.⁶⁵

⁶³Tr. Vol. II, pp. 716, 717, 718, 719, 721, 722, 724, 725, 726, 727, 728-729, 731-733, 736-741.

⁶⁴Tr. Vol. II, pp. 674, 869.

⁶⁵Tr. Vol. II, p. 641.

One of the first things that Mr. Spotswood discovered was that two of the ingredients of Ruddle's "Secret Solution"—aluminum sulphate and sodium fluo-silicate—were entirely superfluous. In other words, no different results were obtained by using sodium silicate alone with asphalt emulsion than by including the other ingredients prescribed by Mr. Ruddle in his patent applications.⁶⁶

This fact was confirmed by the Emeryville Laboratory of Shell Development. Mr. Everson, a chemist employed by the Shell Development, made up six samples of sodium silicate solution and one sample of Ruddle Solution, which were identified as Tuemmler solutions for the reason that Doctor Tuemmler instructed Mr. Everson to prepare the solutions.⁶⁷ These seven samples were turned over to Mr. Spotswood, who, without any knowledge of the contents of the mixtures, performed a series of tests which indicated the identity of results using either sodium silicate alone or with the added ingredients of sodium fluo-silicate and aluminum sulphate. Mr. Spotswood's testimony in that connection is as follows:

"Q. What were the results or conclusions you arrived at by means of working with the Tuemmler solutions? That is, were the cores made with Solutions 1 to 7 all substantially the same, or were there any differences that you could note?

A. For all practical purposes there was no difference. I might say that these seven solutions which were made under Dr. Tuemmler's supervision were given to myself and Mr. Waller, and were taken to the Vulcan Foundry and tests were made in which these

⁶⁶Tr. Vol. II, pp. 856-858.

⁶⁷Tr. Vol. II, pp. 852-853.

mixtures were mixed with sand, cores were prepared, and during the operations observations were made. In all cases there were substantially no differences between any of the mixtures. These tests were made in which we had no knowledge of any of the mixtures subsequent to the experiments." (Tr. Vol. II, pp. 858-859.)

After the startling discovery that the formula submitted by Mr. Ruddle was composed of superfluous ingredients, other difficulties inherent in a sodium silicate core oil began to manifest themselves, as Shell proceeded with its endeavor to obtain promotional data on the Core-Min-Oil.

For example, Mr. Spotswood testified on cross-examination that:

"Q. What are the difficulties that you think existed with Core-Min-Oil cores?

A. First, the Core-Min-Oil cannot be baked in a direct-fired oven; the Core-Min-Oil evaporates rapidly on the bench, causing a loss in strength of the mixture; it settles in the sand mix; it crusts over; it sticks to the tools, the equipment, and in the cope; it is highly susceptible to humidity; it has a very poor strength-collapsibility relationship." (Tr. Vol. II, p. 880.)

and he explained that the rapid evaporation, crusting over and sticking to tools was observed in May, 1938; settling in the sand mix was observed around June or July, 1938; susceptibility to humidity around November or December, 1938; poor strength-collapsibility relationship after data on strength and friability had been obtained along in June, 1938.⁷⁰ The amount of work done by Mr. Spotswood

⁷⁰Tr. Vol. II, pp. 881-884.

after the signing of the license agreement is indicated by the reports, Plaintiffs' Exhibits 15 to 21, and by the voluminous notes made by him and constituting the major part of Plaintiffs' Exhibits 49 and 50, not reproduced herein.

As a result of his experiments over a period of a year and three months working on the problems which Core-Min-Oil presented, Mr. Spotswood testified that he was unsuccessful in producing a good sodium silicate core oil that could be used in commercial foundry operations, and that he was never able to overcome the difficulties encountered. His testimony in this regard is as follows:

“Q. And during all of the time that you were doing this work at the Vulcan Foundry, were you using the core oil in regular commercial foundry operations, or were they in the nature of laboratory operations?

A. All of our experiments, both at the refinery and at the foundry, were limited to laboratory applications, in that there was close technical supervision during all of the process.

Q. Can you tell me approximately how many cores you made with these core oils that you worked with from January of 1938 to March of 1939?

A. Oh, I would say—oh, I would say at least several thousand.

Q. Did you hear Mr. Spiri list the difficulties that he said he had encountered with this core oil, which list he gave on the witness stand here this morning?

A. I did.

Q. To shorten it up, did you encounter those same difficulties that he referred to?

A. I did; and more, too.

Q. Are the difficulties that you encountered all set forth in your notebooks?

A. Yes, they are completely covered.

Q. What was the result of your effort of a year and three months in working with these core oils, consisting of Ruddle Solution and asphalt emulsion and sodium silicate, as to whether or not you were able to produce a good core oil that could be used in commercial foundry operations?

A. *We were unsuccessful.*'' (Tr. Vol. II, pp. 863-864.)

Like Mr. Spotswood, Dr. Wright's work exemplified by the voluminous notes contained in Exhibits 51 and 52, not reproduced herein, also encountered the inherent difficulties in sodium silicate core oils. Innumerable core oil emulsions containing sodium silicate were prepared by Dr. Wright beginning about August, 1938,⁷² and, on December 23, 1938, Dr. Wright prepared some mixtures of asphalt emulsion and sodium silicate which he considered quite stable.

The purpose of endeavoring to produce a stable mixture of asphalt emulsion and sodium silicate was to produce a ready-to-use core oil in order to cover the very serious obstacle of having to sell the core oil in two containers, such as tank-cars, to various foundries who, in turn, would have to duplicate their piping, storage and other facilities in order to be able to use it. As we have heretofore pointed out, Mr. Dietert considered this as one of the many serious difficulties with Ruddle's sodium silicate core oil. However, after preparing mixtures to meet the requirements of stability, it was then necessary that those mixtures meet the other essential foundry core oil requirements. The prepared mixtures, and there were many of

⁷²Tr. Vol. II, p. 650.

them, were submitted to Mr. Spotswood and Mr. Spiri, mainly at the Vulcan Foundry. However, Dr. Wright, from time to time, was called upon to modify the formula of his mixtures because of difficulties encountered at the foundries. As Dr. Wright testified, he was never completely successful in overcoming the problems submitted to him. His testimony in this connection is as follows:

“A. In the early part of the second division of my work I attempted to overcome some difficulties which were mentioned by Mr. Spotswood, I believe, and Mr. Spiri, wherein they stated that these core oil mixtures which I had prepared, and which I considered stable, or fairly stable, *these core oil mixtures, when mixed with sand, were not as workable as desired*; that is, the sand would either stick to the foundry cope, and secondly, the mixtures would not hold together as well as they should, and so I attempted to modify the formula which I had previously established, in order to overcome these difficulties.

Q. On whose instruction, by the way, were you doing this work—Mr. Anderson’s?

[A. Yes.]

Q. All right, continue.

A. As time went on, other difficulties were brought forward, such as pellet formation. The core oil mixtures, when mixed with the sand——

Q. You are now speaking of this product made with asphalt emulsion and water glass?

A. In all cases I am speaking of that product.

Q. Of that product alone, yes. Continue.

A. The core oil mixtures, when mixed with sand, would form small pellets in the sand, which could not be mixed homogeneously without a great deal of difficulty, and so I attempted to modify the formula to

overcome this difficulty and other difficulties, quite a number of which I do not believe I will mention at this time, were encountered, and in each case I attempted to modify the formula to overcome the difficulties. And in many cases I was successful to a degree. In other cases, I was completely unsuccessful and, as I remember, the last thing I did in connection with core oil mixture was to try to improve—that is, the sand mixes, when left exposed on the bench, would tend to dry very rapidly, and I attempted, by the addition of certain agents, to make a mixture to overcome this particular difficulty.

Q. The long and short of it is that you did work out a product, you and those working with you, which was satisfactory from the standpoint of overcoming these problems, and so reported to the company?

A. *Well, it is my opinion that we were never completely successful.*'' (Tr. Vol. II, pp. 661, 662.)

Mr. Spiri likewise was unable to make anything satisfactory out of Core-Min-Oil. He undertook the testing of core oils for Shell in the middle of November, 1938⁷⁵ and devoted much time from that date until July or August, 1939, in experimentation and familiarizing himself with foundry practices as indicated by his reports and voluminous notebook.⁷⁶ The work done by Mr. Spiri is well exemplified by the report of what he did at the Vulcan Foundry.⁷⁷ Referring particularly to experiments where a core oil was made by mixing asphalt emulsion and sodium silicate separately with the sand, since not all of Mr.

⁷⁵Tr. Vol. II, p. 820.

⁷⁶Defendants' Exhibits II to XX, some of which are not reproduced herein.

⁷⁷Defendants' Exhibit MM, not reproduced herein.

Spiri's tests were conducted with Dr. Wright's mixtures,⁷⁸ it will be noted that a poor relationship between the strength and friability or collapsibility is present in all of these tests. This is brought out in Mr. Spiri's and Mr. Spotswood's reports dated August 7, 1939,⁷⁹ which contains the conclusions arrived at by Mr. Spiri as the result of experimenting with sodium silicate core oils.⁸⁰ On page 19,⁸¹ of this report, is given the result of the Vulcan Foundry tests shown on pages 58 to 71 of Defendants' Exhibit MM, and indicates the poor relationship between strength and friability of the cores made with a sodium silicate containing core oil. The report at the pages above referred to concludes with the following statement:

"The tests indicated that wherever strength was good or fair, the friability was poor, and vice versa. The fact that only 21% of all cores made could be cast showed (and comparison with some linseed-oil cores confirmed the finding) that our cores were not strong enough to handle or that the friability was not good."

The effect of these March, 1939, tests by Shell reported in Plaintiffs' Exhibit 23, above referred to, indicated quite definitely that a sodium silicate core oil would not be useful for foundry purposes, but Shell again went further in its attempt to make something out of this unsatisfactory product. Taking the best friability and strength results found by Mr. Spiri, Dr. Wright, of Shell Development at

⁷⁸Tr. Vol. II, pp. 835-836. See Vulcan Foundry tests 58 to 71, inclusive, Defendants' Exhibits MM and NN, not reproduced herein, which tests were made in March, 1929.

⁷⁹Plaintiffs' Exhibit 3, Tr. Vol. IV, p. 1568.

⁸⁰Tr. Vol. II, p. 839.

⁸¹Tr. Vol. IV, pp. 1588-1589.

Emeryville, made up an emulsion containing carbon black and having a percentage of asphalt and sodium silicate which gave the best strength-friability relationship thus far obtained in any of Shell's experiments.⁸² This carbon black emulsion was tested by Mr. Spiri at the Axelson Foundry in Los Angeles, and at the Berkeley Brass Foundry in Berkeley. Mr. Spiri testified that the cores made at Axelson with the best sodium silicate core oil Shell had been able to make were not strong enough and could not be considered for making castings. His testimony in that regard is as follows:

“Mr. Aurich. Q. Well, you also did some work at Axelson Foundry. You might go on and tell the Court, in your own way, what you did at Axelson, what oils you worked with down there, and what the results were, and just like that.

A. The Emeryville laboratory prepared a great number of these Core-Min-Oils, and the one we considered best, as to mixability and strength and friability, we took to a foundry which was not acquainted with Core-Min-Oil at all. That was the Axelson Machine Foundry in Los Angeles. The Shell Development Company prepared five cans of Core-Min-Oil, three of which contained a black Core-Min-Oil, and two of which contained a light oil.

On my arrival in Los Angeles I found two of the black oils were so jelled, we could not shake them out of the can. Those could not be used for mixing with the sand at all. One of the cans containing black oil was mixed with sand. Cores were made by the core-

⁸²The exact composition of these sodium silicate solutions is found in Dr. Wright's notebook, Plaintiffs' Exhibit 52, p. 115 thereof, not reproduced herein.

makers of Axelson's; a few cores were made by myself. And the cores were put in their semidirect-fired oven.

The result was that the cores crumbled; they had no strength after baking. Of course, the cores were simple cores, just cylindrical type of cores. In order to give the Core-Min-Oil a very good chance, I saw that the Axelson Foundry foreman was very much interested in our product. He told me that I could use their electric-heated furnace and make some cores in there, so as to get away from possible attack of the flue gases, and this opportunity was taken up, and I made cores and put them in the electric furnace. I baked them with the same baking time for that particular size of core as I had experienced at the Vulcan Foundry. I found that the cores were not strong enough, and they were not approved. None of them was approved for making any castings, because the superintendent of the foundry simply said they were not strong enough. He would not consider them for making castings." (Tr. Vol. II, pp. 833-834.)

The Berkeley Brass tests with this carbon black sodium silicate core oil, referred to in the Defendants' Exhibit NN, test numbers 4, 11, 16, and in Plaintiffs' Exhibit 23⁸⁴ again indicate the disadvantages of a sodium silicate core oil. However, Mr. Spiri's conclusions with respect to the sodium silicate core oils with which he was working, is very definitely testified to by him. He testified that sodium silicate containing core oils could not be baked in a direct-fired oven; that when the strength of the cores were sufficient for casting purposes, friability was not sufficient,

⁸⁴Tr. Vol. IV, pp. 1597-1598.

and where friability was sufficient strength was not sufficient. He stated further that all cores used for making castings had to be selected; that in the tests he made at Vulcan Foundry alone, only 470 out of 770 cores were approved for making castings; that cores were also subjected to water absorption purposes, in other words they could not be stored for any long period of time; that there was sticking to the core boxes; and that the sand mixed with Core-Min-Oil crusted over almost immediately after preparation.⁸⁵

The work described indicates a vast amount of time and expense expended by Shell in an effort to make something which was inherently useless into an article of some value, a task which it was not required to do under the license, but Shell's conclusions as to the uselessness of such product were not reached until after experimentation last-

⁸⁵Tr. Vol. II, pp. 837-839.

Appellants' criticism of Mr. Spiri's testimony, appearing at pages 32 and 33 of their brief, is entirely unfounded. With respect to work done by him at the Axelson Foundry, Mr. Spiri's direct testimony was confined substantially if not entirely to work done by him at that place with sodium silicate core oils, and very little, if any, reference was made thereto with reference to albino asphalt linseed core oils. The two questions quoted at the pages of appellants' brief referred to above follow one after the other. It is obvious from the reading of the testimony that in the answer to the question quoted at page 32 of the brief for appellants (Tr. Vol. II, p. 845) the witness was referring specifically to work done by him at the Axelson Foundry with the sodium silicate core oils and the very next question directed to the witness, appearing on page 33 of appellants' brief (Tr. Vol. II, p. 845) was directed to albino asphalt linseed core oil. The conclusions above set forth by Mr. Spiri are those which he found with respect to sodium silicate core oils and do not in any manner refer to work done by him with albino asphalt linseed core oil.

ing over a year.⁸⁶ Because of the inherent impossibility of employing sodium silicate as a base for a core oil, Shell was completely unsuccessful and the product which furnished a consideration for the license granted by Peck and Ruddle was as useless to the foundry trade after Shell had spent over \$16,000.00 working on it,⁸⁷ as it was when Ruddle first came to Mr. McSwain and explained the difficulty he said he had been having with it.

The foregoing facts are a complete answer to the alleged primary breach of the contract, as set forth in the brief for appellants,⁸⁸ where appellants state "The primary issue established by the complaint is the charge that Shell Oil has neither sold nor attempted to sell" Core-Min-Oil, which assertion is again repeated on page 11. Likewise, the foregoing facts are a complete justification for the testimony of Mr. McSwain referred to on pages 11 and 23 of the brief for appellants, that Shell never sold so much as a single gallon of Core-Min-Oil to anyone. In order to avoid any confusion as to Mr. McSwain's testimony in connection with this point, we quote it as follows:

"Q. That is just exactly the point there. Can you tell me whether or not the Shell Oil Company ever attempted to sell so much as one gallon of Core-Min-Oil to anybody during this entire time, from the time it first heard of Core-Min-Oil down to the present day?"

⁸⁶As an indication of the vast amount of work done by Shell in its endeavor to perfect a marketable core oil from Ruddle's useless sodium silicate core oil, note the voluminous notebooks, notes and reports of Messrs. Spotswood, Spiri and Wright.

⁸⁷Tr. Vol. II, p. 905.

⁸⁸Page 8.

A. What do you mean by attempting to sell?

Q. Offered it to foundries and said, 'Here, we are ready to deliver it. Buy it'.

A. In those words?

Q. Well, I can't say the words; I want to know the facts.

A. We undertook a sales promotion program after we had signed the contract with Peck and Ruddle. There was no background for this material, which we thought at that time had possibilities. There was no history. It had never been used in a commercial foundry. So we undertook to develop information regarding that material so we could walk into a foundryman's desk and say, 'This is what this material will do'.

Q. Did you ever walk into a foundryman and say, 'Here is Core-Min-Oil. It will do so-and-so. We would like you to buy it'?

A. We couldn't stultify ourselves to that extent. *We never even had a product that we could even offer.*

Mr. Hackley. Your Honor, I ask that the answer be stricken as not responsive to the question.

The Court. No; it is very pertinent here. He simply makes a statement in no uncertain way, 'We simply did not have a product we could offer'. I think that goes to the very heart of this case.'

* * * * *

"Mr. Hackley. Q. Mr. McSwain, can you tell me a single company that you offered to sell Core-Min-Oil to?

A. Well, of course, that word 'offer' is one that would require a definition before I can answer that question properly. We moved into the Vulcan Foundry on the theory that we had to get this material into commercial use in at least one foundry where it would be used as a run-of-the-mill product, so we could go to other foundries and tell what was done.

We never had a material that the Vulcan Foundry could use in their commercial operations. It never got beyond the laboratory stage.' (Tr. Vol. II, pp. 673-675.)

At the conclusion of the work done by Mr. Spiri, Mr. Spotswood and Dr. Wright, it became apparent to Shell that the Ruddle sodium silicate core oil could never be made into a commercial product, so that on July 26, 1939, Shell notified plaintiffs of such fact and stated it was cancelling the agreement because of failure of consideration.⁹⁰ Shell's lack of success in making Ruddle's useless core oil work, furnishes complete basis for Mr. McSwain's testimony that up until the time he testified, Shell had never sold any core oil for any purpose; and that Shell has completely abandoned all efforts to manufacture and sell or exploit any kind or type of core oils. His testimony in that regard is as follows:

"Q. Will you state whether or not at any time prior to January of 1938 the Shell Oil Company had ever manufactured or sold any core oil or other similar product for foundry purposes?

A. They had not.

Q. From January, 1938, up to the present time, has the Defendant Shell Oil Company ever manufactured and sold any core oil for foundry purposes?

A. It has not.

Q. Has the Shell Oil Company manufactured and sold any core oil for any purposes?

A. It has not.

Q. Do you know whether or not the Shell Oil Company has completely abandoned all efforts to manufacture and sell or exploit any kind or type of

⁹⁰Plaintiffs' Exhibit 10, Tr. Vol. IV, p. 1563.

core oils or products for related factory [foundry] uses?

A. It has."

Tr. Vol. II, pp. 534-535.

It is significant to note that, despite the fact that plaintiffs received Shell's notice of cancellation in July of 1939, no effort has been made by appellants to have the Ruddle core oil manufactured and sold.⁹¹

It is likewise significant that the foundries with whom Ruddle had dealings, that is, Macauleys, Kingwell, and Vulcan, *never* used Ruddle's core oil in their commercial operations, and in fact Mr. Ruddle knows of no foundry which ever did use his core oil commercially. In this connection Mr. Ruddle testified as follows:

"Q. Did the Kingwell Foundry ever use your Core-Min-Oil in their commercial operations?

A. No, they did not.

Q. Did the Macauley Foundry ever use your Core-Min-Oil in commercial operations?

A. No, sir.

Q. Did the Vulcan Foundry ever use your Core-Min-Oil in commercial operations?

A. They did not.

Q. *Did any foundry that you know ever use your Core-Min-Oil in commercial operations?*

A. *No, they did not.*"

Tr. Vol. I, p. 475.

⁹¹Mr. Ruddle's testimony in this connection is as follows:

"Q. Have you made any endeavor to have your Core-Min-Oil manufactured and sold by anyone since the termination of the contract with Shell?

A. We have not."

Tr. Vol. III, p. 1445.

Plaintiffs' witness, Goth, also admitted that Mr. Ruddle's core oil was never used in regular production operations at Macauley's.⁹²

- (a) The isolated portions of reports made by Shell's employees working with Ruddle's sodium silicate core oils, and quoted in appellants' brief, are in no way inconsistent with the conclusion by Shell that a sodium silicate core oil was not a successful product.

The attempt by appellants' brief to quote isolated portions of the reports made by Mr. Spotswood⁹³ during the time he was working with Core-Min-Oil, as being *conclusions* drawn by Shell's representatives, is in complete variance with the established fact that all these reports were the result of experiments. We are dealing here with a core oil which was supposed to be marketed for commercial foundry operations. *Nothing less than complete compliance with all of the major factors required in a commercial foundry will suffice if a core oil is to be marketable.* If, by laboratory experiments, with consequent careful technical supervision, one or even more of these factors is indicated as being furnished by the core oil experimented with, still this does not provide a conclusion or an admission that the core oil is a good oil. For example, if in the next experiment, the same results would not occur, any conclusions stated with respect to a previous experiment would be utterly valueless. Likewise, if a subsequent experiment showed the complete absence of some other major requirement of a core oil, what was said about a previous experiment certainly could not be considered a conclusion or admis-

⁹²Tr. Vol. II, pp. 590, 591.

⁹³Brief for Appellants, pp. 12-15, 19-21.

sion as to the success of a core oil, looking at it as a whole.

Consequently, quotation of mere isolated parts of any of the reports made by Shell's technical men, showing that in such and such experiment one particular core oil requirement was met, becomes ridiculous when it is realized that Shell never was able to make out of Ruddle's sodium silicate core oil a core oil which would be successful for commercial foundry operations. Certainly after spending \$16,000.00 on experimentation, Shell would try to put Ruddle's Core-Min-Oil on the market if it were any good at all. Accordingly, the reports of the Shell technical staff must be considered in their entirety because the experiments reflected in those reports covered a long period of time. The experiments no doubt indicated at times that here was a core oil which might work (because if there never was any such indication there would never have been any reason for experimentation). Thus, prior to the signing of the contract, two reports were issued by Mr. Spotswood, Exhibit 3 (Tr. p. 35) and Exhibit 4. (Tr. p. 44.) These reports, quoted from at pages 12 to 15 of appellants' brief, were made at a time when Mr. Spotswood was inexperienced in core-making or foundry practice and as he testified

"A. At the time the tests were made we didn't know whether they were good, bad, or indifferent. No tests were made to determine the various properties.

Q. Who do you mean by 'we'; yourself?

A. Myself.

Q. You did not have any core experience at that time, and you would not know?

A. That is right." (Tr. Vol. II, p. 646.)

Furthermore, apparently most of Mr. Spotswood's knowledge of core making at about that time came from Mr. Ruddle, who familiarized Mr. Spotswood as to the manner of manufacturing cores.⁹⁵

It was only after the continuous experiments lasting over a long period of time, that the inherent uselessness of a sodium silicate core oil became apparent to Shell. The final conclusion, therefore, is the thing which has to be considered, not the expression of promise at the beginning of a hopeless experiment.

The foolishness of quoting isolated portions of the Shell reports is found in appellants' brief. Quotations appearing on pages 19 to 21 of their brief are placed there without regard to the important foundry factors, and in one instance, *shows, complete variance from the facts.*

Thus, the inference that sand mixed with sodium silicate core oil was kept workable as long as three or four days by placing wet sacks over it, resulting from the quotation found on page 21 of appellants' brief, is completely at variance with the next paragraph of the report *not* quoted by plaintiffs. This unquoted paragraph reads:

"Samples of mixtures prepared from Core-Min were stored for 22 hours under wet rags and examined. The stored pipe [pile] *was found to have crusted over to a depth of one-half inch.* It is reasonable to expect that longer periods will yield thicker crusts as cores can be completely dried by leaving in the open air."

Plaintiffs' Exhibit 15, rendered on June 30, 1938,
Tr. Vol. I, p. 73.

⁹⁵Tr. Vol. I, p. 468; Vol. III, pp. 1291, 1292.

Shell TAC report No. 226⁹⁷ relating to experiments conducted by Mr. Spotswood less than a month after he went to work at Vulcan Foundry, and quoted from on pages 19 and 20 of appellant's brief, is a report concerning the influence of aluminum and fluorine in the Ruddle solution. The *sole and only purpose* of the report is to set forth the differences, if any, between solutions containing or not containing those chemicals. It is noteworthy that the number of cores reported in this report *is only ten*.⁹⁸ *Only six* small castings are referred to in the report.⁹⁹

In Shell TAC Report No. 227, quoted from on pages 20 and 21 of appellants' brief, the opening paragraph reads as follows:

“The following report covers the work performed at the asphalt application laboratory at Martinez Refinery *relative to the possibility of substituting oils other than asphalt emulsion* for use with Ruddle solution in the preparation of Core-Min-Oil.”

Plaintiffs' Exhibit 16, Tr. Vol. I, p. 65.

and the conclusion arrived at is stated as follows:

“On the basis of appearance and *laboratory* friability and strength tests, it appears that various emulsified oils other [than] asphalt could be used with Ruddle's solution for casting work.” (Tr. Vol. I, p. 66.)

This report likewise refers to work done by Mr. Spotswood *shortly after he started experimenting* at Vulcan Foundry. Cores were molded into small bars, and *no men-*

⁹⁷Plaintiffs' Exhibit 15, Tr. Vol. I, p. 59.

⁹⁸Tr. Vol. I, p. 62.

⁹⁹Tr. Vol. I, p. 64.

tion is made of any castings. The statement on page 3 of the report indicates the completely experimental character of work being done by Mr. Spotswood, wherein he says:

“On the basis of the *test* results *it is probable* that satisfactory castings *could be made* using any of the above formulas.” (Tr. Vol. I, p. 69.)

Shell TAC Report 228¹⁰³ contains miscellaneous observations made by Mr. Spotswood, made by him prior to July 1, 1938, and the report indicates quite clearly the *laboratory* nature of the work done by him. The tests referred to as being made to determine *problems* arising from water absorption of the finished cores, settling of the solution in unbaked cores and hardening of the stock pile of Core-Min-Oil and sand mixtures.¹⁰⁴ The tests conducted were *visual* tests. *No castings* were indicated as having been made from the cores prepared.

The remaining paragraph from this report, quoted by appellants on page 21 of their brief, refers to baking cores in a *two-oven* operation¹⁰⁵ obviously an experiment, and obviously impractical from commercial standpoints.

And recent authority passes upon reliance on statements finding their bases in laboratory experiments. In *Kraus v. General Motors Corporation*, 120 Fed. (2d) 109, decided by the Circuit Court of Appeals for the Second Circuit, a plaintiff unsuccessfully sought to overcome the effect of proof of uselessness of a process by statements in letters referring to laboratory experiments. The court said, pp. 112, 113:

¹⁰³Plaintiffs' Exhibit 17, Tr. Vol. I, p. 69.

¹⁰⁴Plaintiffs' Exhibit 17, Tr. Vol. I, pp. 69-70.

¹⁰⁵Plaintiffs' Exhibit 17, Tr. Vol. I, pp. 73-75.

“After careful examination of the record, we have no doubt that the proof that the process was not commercially usable was very convincing. * * * The original agreement of July 1, 1919, which recited that Champion had tested the plastic and other qualities of batches of porcelain body mixture and ‘pronounced the qualities * * * to be greatly superior to the qualities of * * * mixtures heretofore employed’ by it and the *various letters in which Champion approved laboratory mixtures tested by its experts cannot be regarded as creating an estoppel to question commercial usability*. The original agreement was superseded by the contract of February 7, 1920, which recited that Kraus had discovered ‘certain alleged new and useful improvement in ceramics and more particularly a method for improving the plastic qualities of porcelain body mixture’ and that Champion had ‘pronounced the result of the treatment * * * of porcelain bodies furnished by it to the Licensor to be entirely successful’. While these recitals may have been *some* evidence of commercial usability, they were at best nothing more and certainly did not work an estoppel. The latter recital and the letters of commendation related to *laboratory experiments* which did not show a commercially successful product. An overwhelming amount of testimony indicates that the defendants had never used the process in the manufacture of spark plug porcelains and there is no evidence in the record to the contrary.”

It is submitted, therefore, that Shell’s conclusions with respect to the *uselessness* of the Ruddle core oil, arrived at after long *testing and experimentation*, as embodied in Shell’s final reports and as testified to by Mr. Spotswood, Mr. Spiri and Mr. McSwain, and confirmed by Mr. Dietert, are necessarily the only true conclusions.

- II. EVEN ASSUMING FOR PURPOSES OF ARGUMENT THAT RUDDLE'S SODIUM SILICATE CORE OIL WAS A USEFUL PRODUCT, THE LOWER COURT WAS ENTIRELY JUSTIFIED IN FINDING THAT THE EVIDENCE FAILED TO ESTABLISH ANY GROUNDS FOR THE GRANTING OF THE RELIEF PRAYED FOR BY APPELLANTS.
- A. THE RELIEF OF SPECIFIC PERFORMANCE CANNOT BE GRANTED TO APPELLANTS BECAUSE THE LICENSE INVOLVES PERSONAL SERVICES AND WOULD REQUIRE THE SUPERVISION OF THE COURT FOR AN INDEFINITE LENGTH OF TIME.

Appellants are not entitled in law to any relief of specific performance, even assuming for purposes of argument that the Ruddle core oil could be sold. It is well settled in California, and California law applies to this controversy,¹⁰⁶ that specific performance will not be granted where this would impose on the Court a continuous and long series of acts of supervision requiring special knowledge, skill and judgment and where the contract involves personal services.

In *Poultry Producers of Southern California, Inc. v. Barlow*, 189 Cal. 278, the contract in controversy involved a provision whereby plaintiff agreed to use its *best efforts to resell eggs* at the best market prices. The Court held that the exercise by plaintiff of its efforts to resell at the best prices involved personal services, knowledge, judgment and skill in marketing eggs for the highest possible prices and would impose upon the Court a duty well nigh impossible of performance.

In *Coykendall v. Jackson*, 17 Cal. App. (2d) 729, the relief sought was based on a provision of a contract requiring a party to use his *best efforts and endeavors in*

¹⁰⁶*Erie v. Tompkins*, 304 U. S. 64.

the sale and distribution of a product and to nationally advertise the same by means of newspapers, magazines and radios. The Court said:

“The following excerpts from the agreement established the contract as being one for *personal services*, and the cases are unanimous that an executory contract for personal services involving a personal relation of confidence between the parties or involving liabilities or duties which in express terms impute or indicate reliance on *the character and personal ability* of the parties cannot be *assigned nor can such a contract be specifically enforced.*”¹⁰⁷

It is believed obvious from the character of work done by Shell that not only is the Ruddle core oil today completely unfit for marketing, so that the Court would have to continuously supervise not only the *development work by persons in Shell's employ*, which Shell was never required to do under the contract, but even if a product was finally obtained which could be marketable, *the Court would have to enter into the core oil selling business and completely supervise the core oil operations of Shell.* Obviously, under the authorities, the Court will not decree specific performance of acts of this character.

None of the cases cited in appellants' brief are in conflict with the authorities above referred to. Indeed, two of the cases mainly relied on by appellants and quoted from in their brief, were not suits for specific perform-

¹⁰⁷See also the following:

Moore v. Heron, 108 Cal. App. 705;

Anderson v. Neal Institutes Company, 37 Cal. App. 174;

Rutland Marble Company v. Ripley, 77 U. S. 339;

Arizona Edison Co. v. Southern Sierras Power Co., 17 Fed. (2d) 739 (CCA 9).

ance, but, on the contrary one was a suit for injunctive relief and the other an action for rescission and cancellation.¹⁰⁸ Furthermore, their own cases recognize and apply the law hereinbefore referred to. The contract in *Daniels v. Brown Shoe Co., Inc.*, 77 Fed. (2d) 899,¹⁰⁹ contained a provision to the effect that the Licensee under a patent should

“*exercise its best efforts to supply the public demand for boots and shoes embodying the inventions aforesaid, and shall also use its best efforts to create and promote such a demand. To this end Licensee agrees to cooperate with retail shoe dealers in promoting window displays, and other advertising features, and in other ways and manners to exploit and develop these shoes and the sales thereof.*”

The contention made that this clause was not specifically enforceable was upheld as follows:

“In our opinion this contention is well founded. In order for a contract to be specifically enforceable, the acts to be performed must be stated with such precision, or so precisely ascertainable when the contract is applied to the facts as to make its enforcement a practicable matter; also the acts directed to be done must be of such character that it is practicable for a court to oversee and compel the performance of them.”

It is submitted, therefore, that appellants are in no way entitled to the relief of specific performance.

¹⁰⁸*National Marking Machine Co. v. Triumph Manufacturing Co.*, 13 Fed. (2d) 6 (CCA 8);

Daniels v. Brown Shoe Company, Inc., 77 Fed. (2d) 899 (CCA 1);

Brief for Appellants, pp. 36-40.

¹⁰⁹Cited on page 39 of appellants' brief.

B. APPELLANTS HAVE UTTERLY FAILED TO ESTABLISH WHEREIN THEY ARE ENTITLED TO ANY DAMAGES, EVEN ASSUMING RUDDLE'S PRODUCT TO BE A WORTHWHILE PRODUCT.

Although appellants were advised by appellees' motion to dismiss, made before the conclusion of appellants' case,¹¹⁰ that they had not *established* any damage or any measure of damages by reason of Shell's alleged breach of the agreement, appellants made no effort at any time to *establish* wherein they had been damaged in any way, and their opening brief completely evades this question.

The character of evidence submitted by appellants in connection with the question of damages is revealed by the following testimony of Mr. Ruddle:

"Q. What did your business of making and selling Core-Min-Oil consist of *prior to your negotiations with Shell?*

A. Well, we hadn't sold any of it."

Tr. Vol. III, p. 1184.

* * * * *

"Q. Had any market price for Core-Min-Oil been established prior to your negotiating with Shell?

A. No."

Tr. Vol. III, p. 1185.

* * * * *

"Q. Would you have been satisfied to have your core oil sell at fifty cents a gallon?

A. Yes.

Q. Do you think that is a fair market price for it?

A. *I wouldn't know.* We haven't any idea of what the fair market price should be on it. There is a great saving in drying time.

¹¹⁰Tr. Vol. II, pp. 529-531.

Q. Do you mean to say you never figured out what you thought would be a fair market price for your core oil, Mr. Ruddle?

A. Well, in talking with the Shell Company, it was agreed they would set the price, and it was left entirely in their hands to set the price of this core oil.

Q. My question is, Is it your testimony that you never at any time figured out a probable market price for your core oil?

A. Well, we discussed many prices for it, but we never——

Q. I am not speaking of Shell.

A. No, I did with Mr. Peck discuss many prices.

Q. What were some of the prices you arrived at?

A. We talked twenty cents a gallon, twenty-five cents a gallon, thirty cents a gallon, forty cents a gallon——

Q. In other words, you started at a minimum of twenty cents and went as high as fifty cents; is that right?

A. That is right.

Q. Suppose we take a mean of say thirty-five cents a gallon. Would that be fair?

A. *I don't know whether it would be fair or not.*

Q. It wouldn't be fair to you?

A. Yes, I would say that would be fair.

Q. *Do you think it would be too much for the foundry?*

A. *Well, I don't know whether it would be too much or not.*

Q. *What price do you think would be fair both to you and the foundry?*

A. *I haven't any way of telling.*

Q. *Do you want to take twenty-five cents as being a fair price?*

A. *No, I wouldn't say.'*

Tr. Vol. I, pp. 430-431.

It is believed apparent from the foregoing that neither before the negotiations with Shell nor at the time of trial had any market price been established for the Ruddle core oil; and, consequently, this essential factor, whereby damages can be measured, is completely lacking. True, Mr. Ruddle referred to a price said to have been mentioned by Mr. McSwain for a product which was tried out at Axelson Foundry. However, Ruddle's own memoranda refers to this product as being useless¹¹¹ and there is a complete absence in the same memoranda of any record of the statement imputed to Mr. McSwain. Accordingly, this testimony of Mr. Ruddle is highly incredible, and of no value whatsoever in supplying a basis for computing damages.

Likewise, there is no evidence to supply any basis to determine the extent of the market in which Ruddle's core oil could have been sold. The assertion by Ruddle, that Shell made an independent survey of the core oil market and that Mr. McSwain told him that there was a 60,000,000-gallon market for Core-Min-Oil,¹¹² becomes incredible in view of the fact that it was Mr. Ruddle who supplied this information to Mr. McSwain.¹¹³

¹¹¹Tr. Vol. I, p. 446.

¹¹²See Tr. Vol. I, pp. 280, 327-329.

¹¹³Tr. Vol. II, p. 555. It is interesting to note that Mr. Ruddle, prior to his contract with Shell, had determined the size of the core oil market as being 23,000,000 gallons a year, and that he had estimated that his Core-Min-Oil gallonage sold per year would be

As testified by Mr. McSwain, the estimates of Mr. Ruddle ran as high as 100,000,000 gallons per year. This is confirmed by Defendants' Ex. CC,¹¹⁴ in which Mr. McSwain on January 25, 1938, shortly after Mr. Ruddle approached Shell, reported on the figures given him by Ruddle, and by the fact that prior to the time Mr. Ruddle delivered his sales talk of the enormous market, Mr. McSwain had no knowledge of the core oil market in the United States and Shell had made no survey thereof.¹¹⁵ The careless quotation from Mr. McSwain's letter (Dfts' Ex. CC) on page 34 of appellants' brief, with the resulting inference that information as to the extent of the market emanated from Shell, is completely refuted by the true fact that such information came from and could only come from Ruddle. It is to be noted, moreover, that Ruddle did not at any time advise Mr. McSwain of the discouraging information Ruddle had received from American Bitumuls Company, and *even would not admit such fact until he was confronted with a copy of the information he received.*¹¹⁶ This information showed that Ruddle had been informed that, *at the most*, the *entire* core oil market in the United States was not more than 10,000,000 gallons per year.¹¹⁷ This latter figure was confirmed by Mr. Dietert when he testified that the approximate core oil market in the United States for the year 1940 was around a 10,000,000

69,000,000 gallons. (Tr. Vol. I, pp. 411-412.) The 23,000,000 gallon core oil market which Mr. Ruddle testified was told him by Mr. McSwain (Tr. Vol. I, p. 280), is the same 23,000,000 gallons core market that Ruddle had assumed existed prior to his going to Shell.

¹¹⁴Tr. Vol. IV, p. 1795.

¹¹⁵Tr. Vol. II, p. 556.

¹¹⁶Tr. Vol. I, pp. 417, 418; Tr. Vol. II, pp. 514, 515.

¹¹⁷Defendants' Exhibits Z and AA, Tr. Vol. VI, pp. 1781-1783.

gallonage.¹¹⁸ However, the nebulous character of plaintiffs' evidence is nowhere better indicated than by Ruddle's own statements, where he testified that the probable market for his core oil was only based on *hope and expectation*:

“Q. What was there in the course of events that led you to believe you would supplant the entire linseed oil market in the core oil field?

A. Well, we never figured we could supplant it, but we figured about 50 per cent of the market.

Q. In other words, you merely *hoped* that you would be able to supply at least 50 per cent of the market with core oil that was then using linseed oil?

A. That's right.

Q. It was your *hopes and expectations*, rather than anything else?

A. That's right.

Q. You had no factors upon which that was predicated?

A. No; only just our opinion, our judgment in the matter.

Q. By 'our judgment', whose judgment do you mean?

A. I mean Mr. Lydell Peck, myself, Mr. James F. Peck, who was alive at that time.”

Tr. Vol. III, p. 1450.

It is submitted, therefore, that appellants' proofs fail completely to show either the basis of a market price or a market for their core oil, so that their burden of showing damages has not been met.

It is well settled that damages, which are as speculative and uncertain as these which were asserted by

¹¹⁸Tr. Vol. II, p. 794.

plaintiffs' testimony, can never be the basis for a lawful judgment.

“Compensation for the legal injury is the measure of recoverable damages. *Actual damages only may be secured.* Those that are *speculative, remote, uncertain, may not form the basis of a lawful judgment.* The actual damages which will sustain a judgment *must be established,* not by *conjectures* or *unwarranted estimates* of witnesses, but by facts from which their existence is logically and legally inferable. The speculations, guesses, estimates of witnesses, form no better basis of recovery than the speculations of the jury themselves. *Facts* must be proved, data must be given which form a rational basis for a reasonably correct estimate of the nature of the legal injury and of the amount of the damages which resulted from it, before a judgment of recovery can be lawfully rendered. *These are fundamental principles of the law of damages.*”

Central Coal & Coke Co. v. Hartman, 111 Fed. 96, 98 (C.C.A. 8).

This rule is well settled:

California Press Mfg. Co. v. Stafford, 192 Cal. 479;
Gibson v. Hercules, 80 Cal. App. 689.

Nor can an accounting be ordered where the evidence on the question of damages is not sufficient:

“*A reference will not be made to state an account without some evidence to show the necessity for the accounting.* An order for an accounting is not made to enable the complainant to make out his case before the master. *There must be, at least, sufficient evidence to show the right to demand the accounting.* *Railroad Co. v. Williams*, 94 Va. 422, 26 S.E. 841. There not

being sufficient evidence as to this claim to require the court to make a reference, there was certainly not enough to authorize a decree for this sum in favor of the cross complainants.”

Columbian Equipment Co. v. Mercantile Trust & Deposit Co., 113 Fed. 23, 25 (C.C.A. 5).

It is submitted therefore, that appellants have failed to meet the burden upon them of showing any damages, even assuming Ruddle's core oil to be a worthwhile product.

**C. APPELLANTS ARE NOT ENTITLED TO ANY OTHER
RELIEF HEREIN.**

Appellants have likewise failed to show wherein they are entitled to any other relief herein. No mention is made in their brief of the violation of an alleged confidential disclosure of asphalt emulsion which was asserted by Ruddle, and which we submit, is an absolutely groundless contention. The utter improbability of any such thing ever having occurred is obvious both from a reading of the license and from Mr. Ruddle's own testimony.¹¹⁹ The idea of asphalt emulsion was obtained by Mr. Ruddle from a Dr. Cleveland of the Philadelphia Quartz Company in Emeryville.¹²⁰ The idea of using asphalt emulsion in a core oil is old, as shown by the Thomas patent,¹²¹ which was known both by Ruddle and Shell prior to the signing of the license.¹²² When Mr. Ruddle came to Mr. McSwain, however, it was not the asphalt emulsion which he withheld from disclosing, but it was his alleged secret

¹¹⁹Tr. Vol. I, pp. 373-377.

¹²⁰Tr. Vol. III, pp. 1185-1187.

¹²¹Tr. Vol. IV, p. 1775.

¹²²Tr. Vol. I, pp. 379, 495.

solution of sodium silicate, sodium fluosilicate and aluminum sulfate.¹²³ In fact, according to Mr. Ruddle, it was necessary for him to tell Mr. McSwain that asphalt emulsion was contained in his core oil because unless asphalt emulsion were used, Shell would not have been interested in even discussing the matter with Ruddle.¹²⁴ The license itself makes no secret of asphalt emulsion, *but only refers to the solution as secret*, and until the signing of the license, this information was withheld by Ruddle. Certainly, if asphalt emulsion had been considered a part of or the secret thing which Mr. Ruddle had, there would have been some memorandum or something in writing which would have recorded this "confidential" disclosure, since Mr. Ruddle's long association with the office of James L. Peck, and the assistance given him by Mr. James L. Peck, apparently served him in good stead during other phases of the controversy.¹²⁵ As a matter of fact, this contention by Ruddle that asphalt emulsion was one of the things confidentially disclosed to Shell, is an afterthought *which first reared its head at the trial*. During the taking of the deposition of Mr. Ruddle, in which Mr. Ruddle was asked to set forth all the conversations and facts arising prior to the signing of the contract, no mention was made by Mr. Ruddle of the alleged confidential disclosure to any of Shell's employees of the use of asphalt emulsion as a core oil. On the contrary, at the taking of such deposition and when paragraphs V and XIV of the complaint were called to Mr. Ruddle's attention, *Mr. Ruddle stated that*

¹²³Tr. Vol. I, p. 375.

¹²⁴Tr. Vol. I, p. 375.

¹²⁵Tr. Vol. III, pp. 1396, 1397.

*the allegations of confidential disclosures referred to in those portions of the complaint were not accurate.*¹²⁶

Likewise, Mr. Ruddle, when asked as to what Mr. McSwain, Mr. Spotswood and Mr. Waller told him when Ruddle allegedly first disclosed the use of asphalt emulsion as a core oil to them, could not state anything that these men said to him. Accordingly, even if Ruddle did ask those men to keep the use of asphalt emulsion as a core oil a secret,¹²⁷ there is nothing to indicate that there was any acquiescence to his request. On the contrary, it is definitely denied by Mr. McSwain, Mr. Spotswood, and Mr. Waller that Mr. Ruddle at any time ever told them that the use of asphalt emulsion in a core oil was a secret.¹²⁸

That the idea of using asphalt emulsion in a core oil was not considered a secret by Mr. Ruddle is also apparent from the fact that plaintiffs' witness, Mr. Goth, in 1937 knew that Ruddle's core oil contained emulsified asphalt.¹²⁹ Likewise, prior to Ruddle's going to Shell, American Bitumuls Company and General Petroleum Company, asphalt emulsion manufacturers, were advised by Mr. Ruddle that his core oil contained asphalt,¹³⁰ and there is no showing that Ruddle's alleged request to them to keep such information secret was ever acquiesced in by them. Merely calling something a secret does not make it a secret, and the fact that a number of asphalt emulsion manufacturers knew about it makes secrecy incredible.

¹²⁶Tr. Vol. III, pp. 1453-1458.

¹²⁷Tr. Vol. I, p. 468.

¹²⁸Tr. Vol. II, pp. 896, 864, 892.

¹²⁹Tr. Vol. II, p. 571.

¹³⁰Tr. Vol. I, pp. 382-387.

But the matter becomes unimportant because the question as to how Shell has violated any alleged confidential disclosure, or as to how plaintiffs have been injured thereby, can be answered by the fact that Shell has never *at any time* sold *any* core oils, and there is no evidence to indicate any other violation of alleged confidence.

Appellants' attempt under the heading "Further Relief Sought by the Complaint" to charge Shell with a violation of the requirements of the contract that all disclosures be received and maintained in confidence, is completely at variance with the facts. Appellants' contention that the two gentlemen whose names appear on page 42 of appellants' brief, are unidentified in the record, overlooks the direct testimony of Dr. Wright, who testified that the two gentlemen there referred to, Mr. J. C. van Eck and D. Pyzel, are connected with the appellees.¹³¹

Likewise, appellants' contentions in this regard are directly refuted by the testimony by Mr. Ruddle, who testified as follows, concerning any alleged violation of the requirements of the contract regarding secrecy. His testimony is as follows:

"Q. Now, I have one or two more places. I call your attention to Paragraph 17 of your complaint which appears on page 9, in which you allege, under oath: '* * *; that defendants, acting jointly and severally, threatened to disclose, and upon information and belief are alleged to have disclosed, to the public in general, portions or all of said confidential disclosures of plaintiffs to said Shell Oil Company and to defendants.'

¹³¹Tr. Vol. II, p. 671.

I show you the portion of the complaint which I read, with the same instruction to read all or any part thereof that you desire, and I want to ask you to give me the names of any person or persons to whom either of the defendants herein disclosed your alleged confidential disclosure to Shell.

A. *I know of none.*

Q. Do you know of any disclosure by either of the defendants herein to anyone of the formula of your Core-Min-Oil which you disclosed to Shell after the signing of the contract?

A. No.

Q. So far as you know, Shell has never disclosed to the public in general, or to anyone, portions or all of your alleged confidential disclosure, have they?

A. Not to my knowledge.

Q. Do you know of any instance in which the defendants herein threatened to disclose to anyone the alleged confidential disclosure made by you to Shell?

A. No, I don't."

Tr. Vol. IV, pp. 1457-1458.

III. CONTENTIONS IN APPELLANTS' BRIEF ARE BASED ON FALLACIOUS PREMISES, AND SHOULD NOT BE CONSIDERED.

Apparently the sole contentions now urged by appellants are that Shell allegedly developed a core oil product which was superior to the product covered by the applications licensed to Shell, and that Shell should have sold this product. These contentions, which tacitly admit the uselessness of Ruddle's core oil, *which was the sole consider-*

ation for the license in controversy, are found scattered throughout appellants' brief.

In a vain attempt to support these contentions, appellants resort to premises which have no foundation in fact. For example, in their brief they assert that Shell falsely advised appellants that Shell was abandoning the core oil project in an attempt to mislead and deceive appellants, while Shell went ahead and worked on albino-linseed core oils.¹³² This false advice is supposedly found in Shell's notice of cancellation, Plaintiffs' Exhibit 10, reading as follows:

"We refer to agreement with you dated April 8, 1938, concerning United States Patent Applications, Serial Nos. 165,756, 179,150 and 184,237, and particularly to your warranty therein that you are the owners of a new and useful core binding composition consisting of two components, a secret solution and asphalt emulsion. You have since disclosed the secret solution to us and as a result thereof, our staff has made diligent and continuous efforts to manufacture a core binding composition such as disclosed in said patent applications which would be acceptable for commercial foundry use. For this purpose, we have expended in excess of \$10,000. Our efforts, however, *have been entirely unsuccessful* and have demonstrated that a commercial product conforming with the disclosures of said patent applications *cannot be developed and marketed*.

"The agreement of April 8, 1938, is therefore cancellable at our election *because of the entire failure of consideration* and we desire to hereby notify you of our election to cancel and terminate forthwith

¹³²Brief for Appellants, p. 47.

the agreement of April 8, 1938, and do hereby notify you that the same is cancelled and terminated.”

As a matter of fact, the letter of cancellation, Plaintiffs' Exhibit 10, incidentally, did *not*, as asserted by appellants in their brief at page 47, say “flatly that Shell Oil was abandoning the core oil project”. The letter so stating was the letter of *March 8, 1940*, Defendants' Exhibit W. Accordingly, the whole premise for appellants' assertion on page 47 of their brief, that the letter of July 26, 1939, Plaintiffs' Exhibit 10, contained a false statement, fails because the letter does not say what appellants make it say, and the next letter by Shell to appellants, dated August 18, 1939,¹³³ is at complete variance with appellants' contention. This letter told appellants that:

“Quite apart from and in no wise resulting from the investigation made in pursuance of our arrangement with you, we found some core oils not containing the so-called ‘Ruddle’ solution or sodium silicate which at present seem more promising from a technical standpoint. *We wish you to know we intend to do further work with these oils* and that we do not consider ourselves bound to in anywise report to you thereon or to in anywise account to you in connection therewith.”

Another fallacious premise for appellants' contentions is found in their misquotation and improper paraphrasing of paragraph 2 of the license agreement throughout their opening brief, thereby deliberately confusing the meaning of such paragraph, and, we submit, in an en-

¹³³Plaintiffs' Exhibit 12, Tr. Vol. I, p. 33.

deavor to mislead this Court. The paragraph reads as follows:

“2. SHELL OIL shall diligently attempt to sell CORE-MIN-OIL and other compositions for foundry use as covered by said patent applications or later patents.”

In appellants' brief this paragraph assumes all sorts of forms but the correct one. At the top of page 8 of their brief it becomes distorted by improper quotation marks.

“* * * Shell Oil expressly agreed diligently to ‘attempt to sell Core-Min-Oil and other compositions for foundry use’.”

In the third paragraph on page 8, it undergoes complete metamorphosis, so that the provision becomes unrecognizable:

“* * * Shell Oil has neither sold nor *attempted to sell*, in conformance with the burden assumed by them in the contract, Core-Min-Oil or any other composition for foundry use, developed by plaintiffs, by defendants, or otherwise, all coming within the terms of the contract.”

On page 11 is found another incorrect restatement of paragraph 2 of the license, reading:

“Nowhere does the letter state that any effort has ever been made to attempt to sell Core-Min-Oil, as provided in section 2 of the contract Exhibit 5, or any other core oil or composition for foundry use.”

A further variation from plain language is found on page 17 of their brief:

“* * * in that agreement, of its own volition contracted, knowing all the facts, to attempt to sell Core-

Min-Oil and other compositions for foundry use, then in existence or, as provided in sections 2 and 3 of the agreement, (Tr. 18) 'covered by later patents.'"

Finally, on page 46 of their brief, they say:

"* * * the requirement that Shell 'diligently attempt to sell Core-Min-Oil *and other compositions for foundry use.*'"

In not a single one of these instances is any attempt made to adhere to fact.

It is only by deliberately disregarding the words "as covered by said patent applications or later patents", which are the Ruddle applications under which the license was granted, that plaintiffs can arrive at the fallacious contention that albino-linseed core oils were required to be marketed by Shell under the provisions of the license. With that language present, the field of Shell's obligation is *definitely limited* to Core-Min-Oil and other compositions for foundry use, *as covered by said patent applications or later patents*, but apparently that is precisely what appellants want this Court *not* to believe.

A further fallacious premise is found in the assertion on pages 8 and 9 of appellants' brief that developments by Shell came within the provisions of the license. No obligation is provided by the license for Shell to develop anything, and there is no obligation upon Shell to sell what they did develop. Shell was licensed under applications relating to sodium silicate core oils because that is all that Ruddle had. Shell's obligations were limited to sodium silicate core oil except for a royalty clause which, undoubtedly by inadvertence, left out mention of

the Ruddle applications and which calls upon Shell to perform no positive act, but merely provides a basis for royalties. When this oil proved useless and unsaleable, the entire consideration for the license failed, and *all* of the obligations of the license became unenforceable.

Appellants likewise place improper construction on the letter¹³⁴ referred to by them beginning at pages 25-27 of their brief and again at page 35. This letter does not say, as stated by appellants, that a product equal to or superior in every respect to linseed oil was ready to be marketed. On the contrary, the letter, which is obviously a report on *laboratory* work and *experiments*, states that

“linseed blends with extract fractions give core oils which *appear* to have all of the good characteristics of linseed oil”

and goes on to say that:

“We believe that sufficient information is given for initial sales promotion work.”¹³⁵

Since the unsuccessful Ruddle core oil, too, once looked promising, and once was ready for sales promotional

¹³⁴Plaintiffs' Exhibit 54, Tr. Vol. IV, p. 1682.

¹³⁵Note, too, appellants' misinterpretation at page 28 of their brief concerning the letter forming part of Exhibit 54. At this point they say “According to Exhibit 54 (Tr. p. 1682), *the development of the product* is ‘a continuation of the laboratory work on water glass emulsions’, and ‘covers the adjustment of the formulae to actual foundry practice’”. The letter does not say this at all. It says: “*The present report is in part a continuation of the laboratory work on water glass emulsions and covers the adjustments of the formulae to actual foundry practice. * * * In addition core oil mixtures consisting of emulsions that contain no water glass and blends of linseed oil with bituminous materials such as albino asphalt * * * are covered*”. (Tr. Vol. IV, pp. 1682, 1683.)

work, the goal of commercial marketability of the product referred to in the letter was just as distant.

It is quite clear from the evidence of appellees that the albino-linseed product worked on by Shell did *not* contain sodium silicate, sodium fluosilicate *or* aluminum sulfate, the ingredients contained in Ruddle's core oil.¹³⁶ It only contained linseed oil adulterated with an albino asphalt, and, as testified to by Dr. Wright, the albino asphalt contained in the albino linseed oil was a material that is *not truly an asphalt*.¹³⁷ Linseed or other vegetable core oils adulterated with petroleum products, such as Houghton (Oil and Linoil, were old in the art at the time Ruddle entered the field.¹³⁸

In the second place, the albino linseed oil worked on by Shell was in no more condition to be marketed than the Ruddle core oil turned out to be after Shell had signed the agreement with Ruddle in April of 1938. In other words, it was in a condition for Shell to spend another \$16,000 or more on laboratory tests. Thus, the conclusion of the letter referred to by appellants in their brief, Exhibit 54, stating that "We believe that sufficient information is given for *initial sales promotion work*", refers to the same type of work that Mr. Spotswood was called upon to do in April of 1938 in connection with the Ruddle core oil when Mr. Spotswood went to Vulcan Foundry

¹³⁶Defendants' Exhibit YY, Vulcan Foundry Formulas 34, 38, 39, 42, 43, not reproduced here; and Plaintiffs' Exhibit 54, Tr. Vol. IV, pp. 1724-1727.

¹³⁷Tr. Vol. II, pp. 658, 667.

¹³⁸Tr. Vol. II, pp. 699, 749; Vol. III, pp. 1293, 1416; Book of Exhibits, pp. 1779, 1780, 1807; Defendants' Exhibit II, pp. 93-95 (not reproduced herein).

dry to determine information that could be used by the Shell Asphalt Sales Department for promotional purposes.¹³⁹ The experimental character of the albino linseed oil is further indicated by Mr. Spiri's testimony that the baking time of cores made with albino linseed oil at Mr. Spiri's tests at Axelson Foundry was a little longer by using albino linseed than it was for linseed oil.¹⁴⁰ This is confirmed by Defendants' Exhibit 54,¹⁴¹ where the baking times of cores made with albino linseed are compared with linseed cores and the warning is given that close control would have to be necessary over baking times and temperatures. Since, as testified to by Mr. Dietert¹⁴² a desirable commercial core oil is one which is not over-sensitive to temperature or time of baking, it is submitted that the results of the experiments reported in Defendants' Exhibit 54 still fall far short of showing a product which would be marketable commercially. The character of the albino-linseed product is further revealed by the fact that as late as January 8, 1940,¹⁴³ Mr. Spotswood was working with albino-linseed core oils, the six preceding pages of that exhibit showing the work he did in that connection. Such product even if eventually developed would have to be sold in competition with the leading core oil brands on the market, and since the baking times and temperatures required closer control than for linseed oil cores, it is quite conceivable that a great deal of difficulty would be had in selling such produce,

¹³⁹Tr. Vol. II, p. 869.

¹⁴⁰Tr. Vol. II, pp. 849, 850.

¹⁴¹Tr. Vol. IV, pp. 1742-1747.

¹⁴²Tr. Vol. II, p. 728.

¹⁴³Plaintiffs' Exhibit 50, p. 105, not reproduced herein.

even if it reached a state of development in which it could be offered to the foundry trade.

A final attempt to broaden the definition of "Core-Min-Oil" to include the albino asphalt linseed blend product is found on page 43 of appellants' brief, where a Anderson patent application (Exhibit 57, Tr. 1757) allegedly covering albino asphalt *for use in core oils*, is brought into the picture. Again appellants' disregard for the true facts is apparent because the Anderson patent there referred to has no relation whatsoever to core oils, and, as a matter of fact core oils are not even mentioned in the patent. The patent is entitled "Translucent Petroleum Plastic" and the entire disclosure as well as the claims of that patent are directed to that subject matter.

Accordingly, it is submitted that appellants should in no way receive the aid of this Court in their surreptitious attempt to resurrect out of the wreckage of their sodium silicate core oil, and by misconstruction of the express terms of the license, a supposed obligation on the part of Shell with respect to a product which does not contain anything remotely resembling sodium silicate, and to which appellants made not the slightest contribution whatsoever.

IV. CONCLUSION.

No better comment can be found on the useless nature of the Ruddle sodium silicate core oil than in Mr. Ruddle's statement that

"I would think you would have to make the foundries fit the core oil rather than make the core oil fit the foundry."

Tr. Vol. III, p. 1391.

But, as has been brought out heretofore, building foundries to fit his core oil would still not remedy the inherent defect in sodium silicate core oils. Accordingly, it is submitted that because of complete failure of consideration, the license granted to Shell cannot be enforced against Shell as to *any* of the provisions thereof, and the lower Court was entirely justified in finding that the failure of consideration was a complete defense to this action.

It is submitted, with respect to discoveries independently made by Shell relating to core oils, even assuming such discoveries to be commercially practicable, no obligation of Shell exists under the license, because such discoveries do not relate to sodium silicate core oils, because the license is unenforceable against Shell for failure of consideration, and moreover, because such license contains no provision requiring Shell to market core oils other than the sodium silicate core oils covered by Ruddle's applications.

In addition it is submitted that the Court below was correct in dismissing the complaint herein against Shell Development Company since that company was not a party to the license agreement, and appellants have provided no evidence showing wherein they are entitled to any relief against that company.

Likewise the dismissal of the complaint was proper because under no theory of law could appellants be entitled to any relief of specific performance and in view of the nebulous character of appellants' proof, appellants can be entitled to no damages whatsoever.

Therefore, it is respectfully submitted that the judgment of the lower Court dismissing the complaint herein as to both appellants should be affirmed.

Dated, San Francisco,
October 8, 1943.

Respectfully submitted,
CHAS. M. FRYER,
ALFRED C. AURICH,
HAROLD I. JOHNSON,
Attorneys for Appellees.

(Appendix Follows.)

